1.1 Introduction

As outlined in the *LTCH Level of Care Per Diem Funding Policy*, the Ministry of Health and Long-Term Care (Ministry) provides funding for the operation of Long-Term Care Homes through Level-of-Care (LOC) funding. The Local Health Integration Networks (LHINs) distribute LOC funds through an envelope system, thereby ensuring a minimum amount of funds is reserved for particular groups of goods and services. The envelopes identified for LOC funding are: Nursing and Personal Care (NPC), Program and Support Services (PSS), Raw Food (RF), and Other Accommodations (OA).

1.2 Purpose

This policy outlines the step-by-step framework through which LOC eligible expenditures can be identified and classified into appropriate funding envelopes for each home in accordance to the *Guidelines for Eligible Expenditures for Long-Term Care Homes*.
licensee must select a new envelope in Step 2. If all envelopes have been considered and the expenditure does not meet the criteria in this step, the item is not an eligible expense under LOC.

**Step 4: Within Each Envelope, Classify into Appropriate Cost Centre.** The expenditures must now be allocated to a cost centre for reporting purposes. Cost centres are listed in the *Long-Term Care Homes Annual Report (LTCH AR)* and the *LTCH AR Technical Instructions and Guidelines* released each year by the Ministry. If the expenditure does not have an appropriate cost centre under an envelope, the licensee must consider the other envelopes and move through the framework until an appropriate envelope and corresponding cost centre is found. If a cost centre is not found, the item is not an eligible expense under LOC.

To aid in expenditure classification, the Ministry will publish a document known as the *Guidelines for Eligible Expenditures for Long-Term Care Homes* which includes an appended list of clarified “grey area” expenditures. In addition to this policy, licensees must refer to the *Guidelines for Eligible Expenditures for Long-Term Care Homes* and the *LTCH AR* and the *LTCH AR Technical Instructions and Guidelines* in effect for the period under consideration when making eligible expenditures envelope classifications.

**FIGURE 1.0 – The Eligible Expenditures Logic Framework**

![Diagram of the Eligible Expenditures Logic Framework](image)

*Note: Cost centres may refer to a cost centre or expenditure line.*

**3.1 Framework – Step by Step**

**3.1.1 Framework Step 1: Legislation**
For expenditures to be eligible for LOC funding, they must be in accordance with the *Long-Term Care Homes Act, 2007*, including the Resident’s Bill of Rights and the Legislative Principle as articulated in section 1 of the Act:

- *The fundamental principle to be applied in the interpretation of this Act and anything required or permitted under this Act is that a long-term care 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. 2007, c. 8, s. 1.*
3.1.2 Framework Step 2: Envelope Definitions

If the expenditure in question meets the legislative requirements as defined in step 1, it must then be tested against the definitions of the four LOC funding envelopes: Nursing and Personal Care (NPC), Program and Support Services (PSS), Raw Food (RF), and Other Accommodations (OA). To be considered eligible, the expenditure should satisfy all elements of one or more of the envelopes. If it does not satisfy the definition of any of the envelopes, the expenditure is ineligible under LOC funding. The envelope definitions are as follows:

Nursing and Personal Care (NPC) Envelope

To be an eligible NPC Expenditure, expenditures must fall into one of the following elements:

1. Expenditures on salaries, wages, benefits and purchased services for active direct care staff (e.g., registered nurses, registered practical nurses, personal support workers, and other persons hired to provide personal support services) and for nursing and personal care administrators (e.g., director of nursing and personal care, nurse managers, unit clerks, RAI MDS Coordinator, and, shared clinical nursing consultants1) who assess, plan, provide, assist, evaluate, and document the direct care required to meet the residents’ assessed nursing and personal care requirements are eligible if:
   a) Staff provides nursing and personal care directly to the resident to meet the nursing and personal care requirements assessed in a care plan or plan of care.
   b) Direct nursing and personal care includes the following activities: assistance with the activities of daily living including personal hygiene services, administration of medication, and nursing care.

2. Expenditures for Nursing and Personal Care training, including attendance costs, are eligible if:
   a) The training or education enhances the NPC staff’s ability to fulfill their primary job function2, and;
   b) Attendance costs included are limited to reasonable charges for food, accommodation, and travel.

3. Expenditures on nursing and personal care equipment, supplies, and devices (excluding furnishings) used by NPC staff in the provision of direct nursing and personal care as outlined in residents’ care plans or plans of care are eligible if:
   a) NPC equipment, supplies, and devices purchased meet the residents’ nursing and personal care requirements in accordance with section 44 of O. Reg. 79/10 under the Long-Term Care Homes Act, 2007, or
   b) Computers and computing devices (that is, hardware and software) are specifically dedicated for use by NPC staff in the assessment, planning, providing, assisting, evaluation, and/or documentation of the medical, nursing and personal care needs of residents, and for the creation and maintenance of resident records. Only computers and computing devices that are dedicated for use for clinical purposes (e.g., shared by direct care staff recognized under NPC and PSS) may be prorated between the NPC and PSS envelopes.

The cost of NPC equipment maintenance and repair (e.g., lift maintenance) or NPC computer maintenance performed by internal or external service providers is limited to hours of labour and parts necessary for the required repair and/or maintenance. Labour costs associated with the job should be allocated as a purchased service whether completed by an internal or external service provider.

Ineligible items in NPC

The following items are not eligible expenditures in the NPC Envelope:

1. See definition in Appendix A
2. For NPC staff whose primary job function includes leadership of other staff, education and training related to management and leadership skills is eligible under NPC.
a) FTE costs (e.g., salaries, benefits, training, etc.) for equipment maintenance staff or IT staff cannot be charged to NPC or PSS envelope.

b) All administrative supplies and office equipment (e.g., paper, toner, fax, phones, printer, photocopier, etc.) represent a general cost of any business and thus are only eligible under the OA envelope.

c) Expenditure for infrastructure (e.g., wiring) must be assigned to the OA envelope as a Building and Property cost.

d) Costs for services required to maintain or repair infrastructure are not eligible under NPC and must be assigned to the OA envelope as a Building and Property cost.

e) In all cases, computers and computing devices not specifically dedicated to clinical use (e.g., shared with employees who are processing payroll, conducting human resources) must be allocated to Other Accommodations. Thus, the default treatment for computers and computing devices is always OA unless the home is able to demonstrate that the computers and computing devices are specifically dedicated for use by staff for NPC and/or PSS functions.

The licensee must refer to the Guidelines for Eligible Expenditures for Long-Term Care Homes for additional guidance when determining whether or not an expenditure is eligible in the NPC Envelope.

Program and Support Services (PSS) Envelope

To be an eligible PSS Expenditure, expenditures must fall into one of the following elements:

1. Expenditures on the salaries and benefits and purchased services for active staff [e.g., physiotherapists, speech-language therapists, occupational therapists, OT/PT aides, recreational staff, volunteer coordinators, social workers, registered dietitian time (in accordance with section 2.2 of the LTCH Level-of-Care Per Diem Funding Policy), and others] that provide support services directly to residents or conduct programs for the residents are eligible if:
   a) Support services and programs are required under the Long-Term Care Homes Act, 2007, are in the schedule of recreation and social activities, or are assessed in a care plan or plan of care to benefit the maintenance or improvement of the level of functioning of residents with regard to the activities of daily living and/or improve the quality of life of residents.
   b) The time spent by PSS staff to assess, plan, provide, evaluate, and document the support services and programs being provided is included.

2. Expenditures on Program and Support Services training and education are eligible if:
   a) The training or education enhances the Program and Support Services staff’s ability to fulfill their primary job function; and,
   b) Attendance costs included are limited to reasonable charges for food, accommodation, and travel costs.

3. Expenditures on equipment, supplies, and devices used by staff that are irreplaceable in the provision of support services and planned and structured programs to meet the requirements of the Long-Term Care Homes Act, 2007 or the assessed needs of residents as determined by medical and nursing staff are eligible if:
   a) The PSS equipment, supplies, and devices purchased meet the majority of residents’ needs or are assessed as necessary as part of a resident’s care plan or plan of care; or,
   b) Computers and computing devices (that is, hardware and software) are specifically dedicated for use by PSS staff in the assessment, planning, providing, assisting,
evaluation, and/or documentation of the program and support services needs of residents, and for the creation and maintenance of resident records. Only computer and computing devices that are specifically used for clinical purposes (i.e., shared by direct care staff recognized under NPC and PSS) may be prorated between the NPC and PSS envelopes.

c) The cost of PSS equipment maintenance and repair (e.g., repair of a projector used specifically for PSS activities) performed by internal or external service providers is limited to hours of labour and parts necessary for the required repair and/or maintenance. Labour costs associated with the job should be allocated as a purchased service whether completed by an internal or external service provider.

**Ineligible items in PSS:**

The following items are not Eligible Expenditures in the PSS Envelope:

a) FTE costs (e.g., salaries, benefits, training, etc.) for equipment maintenance staff or IT staff cannot be charged to NPC or PSS.

b) All administrative and office equipment and supplies (e.g., paper, toner, fax, phones, printer, photocopier) represent a general cost of any business and thus are only eligible under OA.

c) Expenditure for infrastructure (e.g., wiring) must be assigned to the Other Accommodation envelope as a Building and Property Cost.

d) Costs for services required to maintain or repair infrastructure are not eligible under PSS and must be assigned to the Other Accommodation envelope as a Building and Property Cost.

In all cases, computers and computing devices not specifically dedicated to clinical use (e.g. shared with employees who are processing payroll, conducting human resources) must be allocated to Other Accommodations. Thus, the default treatment for computers and computing devices is always OA unless the home is able to demonstrate that the computers and computing devices are specifically dedicated for use by staff for NPC and/or PSS functions.

The licensee must refer to the **Guidelines for Eligible Expenditures for Long-Term Care Homes** for additional guidance when determining whether or not an expenditure is eligible in the PSS Envelope.

**Raw Food (RF) Envelope**

1. Expenditures for the purchase of raw food including food materials used to sustain life including supplementary substances such as condiments and prepared therapeutic food supplements ordered by a physician, nurse practitioner, registered dietitian, and/or registered nurse, as appropriate, for a resident. This envelope includes food for special events including seasonal, cultural, religious and ethnic celebrations. Alcohol and food for non-residents are not included in this envelope.

   *Food used in resident programs:* If the licensee can demonstrate that food used in a scheduled recreation or social activity that meets the interests of the residents does not replace all or part of a meal, resident food costs can be charged to PSS.

The licensee must refer to the **Guidelines for Eligible Expenditures for Long-Term Care Homes** for additional guidance when determining whether or not an expenditure is eligible in the RF Envelope.

**Other Accommodation (OA) Envelope**
1. Expenditures for salaries, employee benefits, education, and training, reasonable attendance costs, purchased services, and supplies, equipment and devices related to housekeeping services, buildings and property operations and maintenance, dietary services (nutrition/hydration services), laundry and linen, general and administrative services, and facility costs that will maintain or improve the care environment of the LTC home. These costs are defined in Appendix A and listed in the LTCH AR and the LTCH AR Technical Instructions and Guidelines in effect for the period under consideration.

The licensee must refer to the Guidelines for Eligible Expenditures for Long-Term Care Homes for additional guidance when determining whether or not an expenditure is eligible in the OA Envelope.

Supporting definitions for terms used in the description of LOC envelopes can be found in Appendix A.

3.1.3 (a) Framework Step 3: Eligible Expenditures Criteria

Eligible Expenditures criteria are additional conditions that expenditures must meet in order to be considered eligible in a specific envelope. There are two types of criteria: (1) those that apply to all envelopes and (2) those that apply exclusively to NPC and PSS. As such, they must be evaluated within the context of the envelope selected in Step 2. If the expenditure does not meet the criteria of its prescribed envelope, a new envelope must be selected and the criteria reconsidered in the context of the new envelope. If the expenditure does not meet the criteria of any envelope, the expense is ineligible under LOC funding. The criteria are defined as follows:

Criteria Applicable to all envelopes

1. Licensees must ensure that each expenditure item satisfies the following criteria regardless of which envelope it is assigned to:
   a) The good or service is not already funded through another source
   b) Conditional on its eligibility in each envelope, the amount of an expenditure on the purchase or lease of equipment must be prorated across NPC, PSS and/or OA based on usage by respective staff.
   c) The expenditure complies with the LTCH Level of Care Per Diem Funding Policy.

Criteria Applicable to NPC and PSS only

2. In addition to the criteria applicable to all envelopes, each of the following criteria must be satisfied for NPC and PSS expenditures on furniture, equipment, and/or related costs:
   a) The use of funds for an equipment purchase must consider the complementary relationship with direct care staffing, aim to maintain or improve the productivity and effectiveness of direct care staff, and ensure that the ongoing provision of direct care and programming to residents is not compromised.
   b) The home can clearly demonstrate that the expenditure item will maintain, enhance or improve the provision of services, goods and programs to the resident(s).
   c) The expenditure must comply with the Conditions of Funding - Furnishing & Equipment Management Policy.

3.1.3 (b) Optional and Unfunded Expenses

As per criteria 1a, expenditures funded in part, or in whole, by a source other than LOC are not

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4 WSIB rebates may be deposited to the OA envelope to create an incentive for licensees to improve their workplace safety performance
5 Usage is determined by one of three factors; time spent on a service, space used for the service or materials used for a service
eligible for LOC funding. This includes certain services offered in Long-Term Care homes. Each LTCH facility offers services categorized under two groups:

(1) basic services and
(2) optional services.

Basic services are defined as services that are available to all residents that require them and they are collectively funded by LHIN LOC funding and the basic accommodation charges paid by residents. Basic services include expenditures on items that are eligible under the NPC, PSS, RF and OA envelopes. As per section 78 of the *LTCHA, 2007*, LTCH licensees are legally required to inform residents about what is paid for by funding under the Act or the payments that residents make for accommodation and for which residents do not have to pay additional charges.

Optional Services represent services not paid for through accommodation charges and that do not fall within the category of non-allowable charges as outlined in section 245 of O. Reg. 79/10 under the *Long-Term Care Homes Act, 2007*. Licensees are permitted to charge for optional services under section 91.1.3 of the LTCHA. The LHINs will not reimburse licensees for costs incurred in providing optional services.

Residents with certain high-intensity medical conditions may require different or a higher amount of resources than a resident generally demands under the ‘basic range’ offered by homes. In these circumstances, an expense may be eligible for separate funding programs such as: the High Intensity Needs Fund, the Assistive Devices Program, and other government programs developed to assist those with particular medical conditions. As previously mentioned, any expenditure that is paid in part or in full by a program outside LOC funding is not eligible for LOC funding.

### Framework Step 4: Eligible Expenditure Cost Centres

Cost Centres group like-expenditures within an LOC funding envelope and are used by operators to report their expenditures to the LHINs. As a final confirmation of envelope eligibility, an expenditure must meet the criteria of one of the cost centres of the envelope identified in step 2. Cost centres for each LOC envelope are listed in the *LTCH AR* and the *LTCH AR Technical Instructions and Guidelines* provided each year by the Ministry. If the expenditure does not have an appropriate cost centre under an envelope, the licensee must consider the other envelopes and move through the framework until an appropriate envelope and corresponding cost centre is found. If a cost centre is not found, the item is ineligible under LOC. The following are examples of some cost centres which are used for determining eligibility (supporting definitions are found in Appendix A):

**NPC Cost Centres**

- Salaries and Wages
- Employee Benefits
- Purchased Services
- Supplies
- Equipment (New, Replacements, Leasing, Maintenance)
- Other\(^6\)

**PSS Cost Centres**

- Salaries and Wages
- Employee Benefits
- Purchased Services
- Supplies
- Equipment – New, Replacements, Leasing and Maintenance
- Other \(^7\)

**Raw Food Cost Centre**

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\(^6\) Please see definition in Appendix A

\(^7\) Please see definition in Appendix A
• Raw Food

**OA Cost Centres**

• Housekeeping Services Expenses
• Dietary Services Expenses
• Laundry and Linen Service Expenses
• General and Administrative Expenses
• Building and Property – Operations and Maintenance Expenses
• Facilities Expenses

If a particular expenditure fits into one of the cost centres listed in the *Annual Report and Annual Report Technical Instructions and Guidelines*, meets all the requirements of the three previous eligibility steps (Legislation, Envelope Definitions, and Eligible Expenditure Criteria), and is not on the list of Optional/Unfunded Expenditures, it is considered eligible for Level-of-Care funding by the Local Health Integration Networks.

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8 As per Raw Food envelope definition in section 3.1.2 of this policy
Supporting Definitions

**Attendance Costs**
- Food (except alcohol), accommodations and travel costs (e.g., per kilometer rate defined by the Canada Revenue Agency - CRA) associated with attending a particular education or training session.
- **Note**: Incremental costs related to attendees who are not staff are not eligible.

**Building and Property – Operations and Maintenance (Cost Centre)**
- Costs associated with the operations and maintenance of the physical plant and property including costs incurred for skilled trade’s persons, apprentices, labourers, and their management.

**Computer and Computing Devices**
- Programmable electronic machine that performs high-speed mathematical or logical operations or that assembles, stores, correlates, or otherwise processes information.

**Dietary Services (Cost Centre)**
- Expenditures related to the provision of meals to residents other than the cost of raw food and PSS eligible dietician’s time (in accordance section 2.2 of the LTCH Level-of-Care Per Diem Funding Policy.)

**Education and Training**
- Process dealing primarily with transferring or obtaining knowledge, attitudes, and skills that enhances staff’s ability to perform tasks related to their primary job function.
- Education and Training may be charged to NPC, PSS, or OA depending on the nature of the subject matter and the responsibilities of the staff receiving the training. General and administrative training which is applicable to all staff such as: corporate policy, WHIMS, general workplace standards, union or human resources-related functions must be charged to OA.
- **Note**: Continuing education and graduate/post-graduate degrees such as a B.Sc., or a Masters for any staff must always be charged to OA.

**Employee Benefits**
- Non-wage and non-salary based compensation received by employees of the home. Any costs related to staff employed by non-arms length or third-party placement agencies are excluded.
- Employee benefit entitlements negotiated as part of a collective agreement or structured compensation plan, which are consistent with the Employment Standards Act (ESA), 2000 and provide reasonable compensation based on industry standards are eligible as part of the benefits for NPC and PSS staff except for the following:
  a) Transportation allowance;
  b) Education related benefits, including education allowances, education fund, and education leave;
  c) Reimbursement of membership fees and professional dues, including nursing annual association dues.
- All excluded items are to be allocated to the Other Accommodation envelope. The list of exceptions may be amended pending semi-annual review.

**Employee Salaries and Wages**
- Compensation received by employees of the home for performing the basic responsibilities of their job. Allowable salary and wage ranges must be in line with prevailing market conditions for the work performed. Only salaries and wages of employees that are actively carrying out the duties of the position for which they are being compensated are included. Any costs related to staff employed by non-arms length or third-party placement agencies are excluded.
- Salary and wage entitlements negotiated as part of a collective agreement or structured compensation plan, which are consistent with the Employment Standards Act (ESA), 2000
and provide reasonable compensation based on industry standards are eligible as part of the salaries for NPC and PSS staff except for the following:

a) Payment of salary or wage during leaves of absence;
b) Reporting pay – payment of partial or full wage for reporting to a cancelled shift;
c) Any salary or wage-based compensation during a special leave;
d) Top up of salaries or wages during WSIB leave.

- All excluded items are to be allocated to the Other Accommodation envelope. The list of exceptions may be amended pending semi-annual review.

**Equipment**
- An instrumentality needed for an undertaking or to perform a service

**Facility Costs (Cost Centre)**
- Expenditures for the operation of a home including rent, insurance, communications, utility costs, interest expenses, depreciation and amortization expenses, and taxes other than those considered as employee benefits.

**Furniture**
- The movable articles in a room or an establishment that make it fit for living or working.

**General and Administrative (Cost Centre)**
- Expenses related the performance or management of general business operations. Activities carried out include:
  a) Management and supervision of: general staff, and non-NPC/PSS volunteers and students (e.g., Payroll intern, HR intern);
  b) Payroll, personnel and human resource activities for the entire facility;
  c) Gathering and reporting of financial and statistical information (with the exception of the RAI MDS Coordinator);
  d) Planning, budgeting and organizational performance monitoring;
  e) Clerical and support activities;
  f) Reception;
  g) Team, departmental, internal committee, board and association meetings;
  h) Staff training/education for administrative activities and general workplace standards;
  i) Travel time by administrative employees.
  j) All costs related to the administration of employee and union agreements including union negotiations, arbitration meetings, and pay equity negotiations.
  k) General consulting fees
  l) Allocated administration or management fees transferred from a parent organization
  m) Computer equipment and software except those accepted under the NPC and PSS envelopes

- Other General costs including, but not limited to:
  a) Funeral and burial costs
  b) Association fees
  c) Travel expenses other than those incurred for transporting residents to and from medical appointments or recreational events
  d) Legal costs
  e) Dietician Time costs over the amounts allocated in the *LTCH Level of Care Per Diem Funding Policy*.

**Housekeeping Services (Cost Centre)**
- Expenditures incurred in the provision of housekeeping services

**Infrastructure**
- Relatively permanent and foundational capital investment of a LTC home on basic facilities, services, and installations that enables the operation of a home and the related business activities, including the following functions: administrative, communications, transportation, utilities, waste removal, education, and training.\(^9\)

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\(^9\) Examples of education and training that a home would make as part of its foundational capital investment are education...
Laundry and Linen Services (Cost Centre)
- Expenditures incurred in the provision of laundry services.

Other
The “Other” expenditure category is for expenditure items that have no other relevant cost centre in a particular envelope. These items may exist in some homes based on their unique financial or organizational division of costs and may include, for example, eligible expenses for providing education and training, and attendance costs. “Other” expenditures are eligible if they meet the following criteria:
  a) The operator can clearly demonstrate that the expenditure item is relevant and has appropriated the item to the applicable cost centre;
  b) The operator can clearly demonstrate that the expenditure item will enhance or improve the provision of services to the resident(s);

Primary Job Function
- The roles, duties and responsibilities that are fundamental and/or most important for that job to be fulfilled.

Purchased Service
- Costs incurred for people other than staff members of a home to perform services considered admissible under a particular funding envelope.
- There are two circumstances in which a staff member of a particular home can be considered a purchased service:
  1) NPC/PSS equipment maintenance: As outlined in the policy, labour hours used in the repairs of NPC and PSS equipment can be charged to NPC and PSS, respectively, as a purchased service from the OA envelope. This cost must be limited to the hours of labour necessary to complete the task.
  2) Education/Training Coordinators: If the licensee employs a full-time education/training coordinator, labour hours used in the coordination of NPC and PSS eligible education/training can be charged to NPC and PSS, respectively, as a purchased service from the OA envelope. This cost must be limited to the hours of labour necessary to complete the task. As outlined in the framework, general education such as WHMIS training or Diversity training must be allocated to OA.

Software
- The programs and other operating information used by a computer. Includes Software as a Service.

Software as a Service (SaaS)
- A software licensing model in which access to the software is provided on a subscription basis, with the software being located on external servers rather than on servers located in-house.

Shared Clinical Nursing Consultant (Expert)
- The nursing consultant (preferred terminology is clinical nursing expert) is a registered nurse who works collaboratively with the Director of Care/Nursing and the clinical team to create and maintain a high quality, safe and compliant home. His/her work responsibilities generally include:
  - Developing, implementing and evaluating:
    - Policies and procedures related to care provision
    - Educational and best practice initiatives, including infection control
    - Initiatives geared at promoting and ensuring compliance with regulatory requirements and individual home quality standards
  - Visiting the homes:
    - To evaluate implementation and effectiveness of policies and procedures, including nursing documentation and compliance by staff with set standards, policies and procedures
    - To assess quality programs and the impact on resident care and safety
• Supporting the DOC in the orientation and development of all staff in the nursing department
• Supporting the professional practice of the Directors of Care, Registered Nurses and other regulated staff as well unregulated care providers

• Below is a sample of job titles used in the sector that relate to this role:
  • Resident Safety, Infection Control and Quality Practice Consultant
  • Policy Development Coordinator
  • Care and Services Coordinator
  • Regional Manager, Clinical Services
  • Regional Care Coordinators
  • Nurse Consultant

**Supplies**

Supplies are intangible items (such as computer software) and consumable items with no substantial measurable life used to perform a task or service. Supplies are found in the NPC, PSS and OA envelopes. Consumable materials may include: text books, paper, pencils materials used in maintenance activities, computer software, and food, depending on the definition of the envelope in consideration.