

Debt service coverage (DSC) ratio

Resource for Indicator Standards (RIS)
Health Analytics Branch, Ministry of Health and Long-Term Care

Indicator description

RIS indicator name

Debt service coverage (DSC) ratio

Other names for this indicator

N/A

Indicator description

This indicator is applicable to all Long-Term Care (LTC) homes with long-term debt that are operated by either a non-profit or for profit entity. This indicator is not applicable to municipally operated homes, nor those homes operated by entities that do not hold long-term debt.

This indicator is intended to be calculated at the LTC Home level versus at the corporate level. In cases where it is not feasible to calculate this information at the home level, the LTC Home may negotiate with their LHIN(s) to have this indicator calculated using either an aggregation of multiple LTC Homes or a corporate level.

This indicator is aligned to the Local Health Integration Network (LHIN) system imperative, Organizational Health, and the outcome objective, to monitor the financial viability of the Home.

Accountability agreement(s) or ministry initiative(s) the indicator supports

- Long-Term Care Home Service Accountability Agreement (LSAA), 2017-2018

Numerator

Data source

OHRS Trial Balance Submission Data

Inclusion/exclusion criteria

Includes:

1. Earnings = LTC Home surplus (deficit) as reported in all fund type 2 and 7 accounts;
2. Interest = Interest paid during the year by the LTC Home on long-term debt OHRS Accounts:
F7 55 00 Interest on Major Equipment Loans
F9 55 00 Interest on Long Term Liabilities
3. Taxes = Corporate Income Taxes.
OHRS Accounts – F9 75 00 – Business Taxes
4. Depreciation = Amortization OHRS does not differentiate between depreciation and amortization.
OHRS Accounts – Amortization Expense
F7 50 00 – Amortization on major equipment
F7 80 00 – Amortization – software licenses and fees
F9 50 20 – Amortization – land improvements
F9 50 40 – Amortization – buildings
F9 50 60 – Amortization – building service equipment
F9 50 65 – Amortization – leasehold improvements .

Excludes:

1. Earnings – excluding amortized revenues.
1 31 02 Amortized Donation Contributed Services – Building/ Building Service Equipment
1 31 04 Amortized Donation Contributed Services – Equipment
1 41 02 Amortized Donations – Building/ Building Service Equipment
1 41 04 Amortized Donations – Equipment
1 51 02 Amortized Provincial Grants – Building/Bldg Service Equip.
1 51 03 Amortized Research Grants – Building/Bldg Service Equip.
1 51 04 Amortized Provincial Grants – Equipment
1 51 05 Amortized Research Grants – Equipment
2. Interest – Excludes interest paid on short-term debts, overdraft, service charges etc. Specifically, OHRS account.
F6 30 30 – Bank service charges – short term interest charges is excluded.
3. Taxes – Excludes all taxes other than corporate income taxes (i.e., sales tax, HST, Payroll tax, EHT etc.).
4. Depreciation – No exclusions.

Calculation

Steps:

Principal (P) + Interest (I)

P = Principal repayments.

1. Note – As principal payments are not reported within the Trial Balance submission, the current portion of long-term debt is being utilized as a proxy for current-year principal payments. As long-term debt instruments (mortgages) generally have lengthy

amortization periods, in most cases the difference between current-year principle payments and the current portion of long-term debt are immaterial.

2. As this indicator is calculated at the LTC home level, and not the corporate level, the LTC home must report only the current portion of long-term debt related to the reporting LTC home operations.
3. In cases where the LTC home does not hold a separate long-term debt instrument at the home level (i.e., the mortgage is blended over multiple LTC homes or other corporate assets), the LTC home will be required to allocate the debt between different LTC homes in the fashion that it determines is reasonable.
4. For the purpose of this indicator it is expected that the current portion of long-term debt is equal to the anticipated principal payments within the next year. In cases where long-term debt is due within the year, but it is expected that this debt will be renegotiated/ renewed over a longer term, the amount to be reported as the current portion of long-term debt should be the expected payments within the next year based on loan amortization versus the entire debt balance. For calculation of this indicator, the current portion of long-term debt will be prorated to proportionate with the revenue/expenses based on the reporting period; i.e., 50% for Q2, 100% for Q4 (full year).

I = Interest expense (as defined in the numerator).

Formula using OHRS Accounts:

Q2: $[(4*580 \times 50\%) + (F75500 + F95500)]$

Q4: $[4*580 + (F75500 + F95500)]$

Denominator

Data source

Trial Balance Submission Data.

In order to provide the information required for this initiative, all LTC Homes will be required to report at a minimum the current portion of long-term debt at the home level as well as the total fund types 2 and 7 expenses and revenues.

Although currently LTCH full corporation reporting is an optional requirement, the preferred option is to provide full corporation reporting, i.e., including revenue, expenses and balance sheet data for the entity.

Where full balance sheet reporting or current portion of long-term debt is not provided at the individual home level by a multi-home entity, it is required that the Operator provide the current portion of long-term debt (OHRS balance sheet account 4*580) at the entity level.

When partial balance sheet data is provided at home level in individual Trial Balance submission, 1*900 Interfund Balances can be used as the clearing account to balance the submissions for the whole entity.

Inclusion/exclusion criteria

Includes:

1. Interest = Interest paid during the year on long-term debt.
OHRS Accounts –
F7 55 00 – interest on major equipment,
F9 55 00 – interest on long-term liabilities
2. Current Portion of Long-Term Debt
4 *5 80 – current portion of long-term debt

Excludes:

N/A

Calculation

Steps:

N/A

Timing and geography

Timing/frequency of release

How often and when data are being released (e.g., be as specific as possible...data are released annually in mid-May)

This indicator is required to be submitted in the Trial Balance, and at a minimum annually in year 1. It is expected that data will be submitted in both Q2 and Q4 Trial Balance.

The information will be calculated by the LHIN / MOHLTC based on the information contained in the Trial Balance Submission.

All reported data, whether reported at the end of Q2 or the end of Q4, will reflect the preceding 12 months.

For homes with a calendar year submission, Q2 data will be reported at the end of June and Q4 data will be reported at the end of December.

For homes with a fiscal year submission, Q2 data will be reported at the end of September and Q4 data will be reported at the end of March.

Trending

Years available for trending

N/A

Levels of comparability

Levels of geography for comparison

The following will take into consideration for comparison purposes:

- For homes that choose the preferred reporting option and provide full corporation data, the indicator will be calculated at the entity level. This may include multi-sector organizations and standalone homes.
- For homes that choose the minimum reporting option and provide the fund 2 and 7 expenses, as well as the current portion of the long-term debt on the home's operations, the indicator will be calculated based on the reported home operations only. Data are available at the LTC homes level.

Additional information

Limitations

Specific limitations

N/A

Comments

Additional information regarding the calculation, interpretation, data source, etc.

The ability to meet interest and principal payments on debt is influenced by magnitude of surplus, annual depreciation, interest rates, and other factors.

Homes that do not have debt are not required to report on this indicator. If debt is later incurred, homes are required to inform the affected LHIN(s) in writing, and begin reporting DSCR in their Trial Balance.

References

Provide URLs of any key references (e.g., Diabetes in Canada, [http:// ...](#))

N/A

Contact information

This indicator is calculated by the Health Data Branch, Ministry of Health and Long-Term Care (MOHLTC).

For information on the methodology and for additional information about this indicator, please contact RIS@ontario.ca.

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