

<b>Policy: LTCH Level-of-Care Per Diem Funding Policy</b>	As Amended and Effective	<b>January 1, 2013</b>	Released December 2012
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## 1.1 Introduction

The policy outlines the funding approach for the Level-of-Care (LOC) per diem paid to a licensee for each Long-Term Care (LTC) home.

## 1.2 Overview of the Funding Approach for the LOC Per Diem Funding

The LHINs fund the licensee of a LTC home the LOC per diem for every licensed or approved bed in the home<sup>1</sup>, subject to the conditions set out in this policy, other funding and financial management policies, applicable law, and the service accountability agreement between the LHIN and the licensee. The LOC per diem is calculated for each bed using the following formula:

$$(NPC + PSS + RF + OA) - \text{Resident Co-Payment Revenue} = \text{LOC Per Diem Funding}$$

**Please note:** the NPC envelope in the above formula may be adjusted for acuity, as appropriate. Please see section 4 of this policy for further information on acuity adjustment of the NPC envelope. Also, please see section 5 of this policy and the *LTCH Cash Flow* policy for more information on the Resident Co-Payment Revenue.

Please see the ***Level-of-Care Per Diem Funding Summary*** for the specific funding amount under each envelope for the applicable period. The per diem amounts are set by the Ministry and are updated by the Ministry from time to time.

## 2.1 Base Level-of-Care Per Diem Funding Components

The LOC per diem funding consists of four funding components, referred to as envelopes. Specifically,

- Nursing and Personal Care (NPC)
- Program and Support Services (PSS)
- Raw Food (RF)
- Other Accommodation (OA)

The envelopes are defined<sup>2</sup> as follows:

### Nursing and Personal Care

**To be an 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, MDS RAI Coordinator,

<sup>1</sup> Please note beds in abeyance are excluded as these beds are not in operation.

<sup>2</sup> For further information please see *Eligible Expenditures for LTC Homes* policy.

and, shared clinical nursing consultants<sup>3</sup>) who assess, plan, provide, assist, evaluate, and document the direct care required to meet the residents' assessed nursing and personal care requirements if and only 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, if and only if:
- a) The training or education enhances the NPC staff's ability to fulfill their primary job function.<sup>4</sup>
  - 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 if, and only 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*.
  - b) Computers and computing devices (that is, hardware and software) exclusively used for the creation and maintenance of resident records and used by NPC staff in the assessment, planning, providing, assisting, evaluation, and/or documentation of the medical, nursing and personal care needs of residents are eligible. Only computer and computing devices that are solely used for clinical purposes (e.g., shared by direct care staff recognized under NPC and PSS) may be prorated between the NPC and PSS envelopes.
  - c) The cost of NPC equipment maintenance and repair (e.g., lift 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.

### Program and Support Services

#### **To be a 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 co-ordinators, social workers, registered dietician 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 if, and only 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 are included.
2. Expenditures on Program and Support Services training and education if and only if:
  - a) The training or education enhances the Program and Support Services staff's ability to fulfill their primary job function.<sup>5</sup>
  - b) Attendance costs included are limited to reasonable charges for food, accommodation, and travel costs.

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<sup>3</sup> See definition in Appendix A of the *Eligible Expenditures for LTC Homes* policy.

<sup>4</sup> 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.

<sup>5</sup> For PSS staff whose primary job function includes leadership of other staff, education and training relating to management and leadership skills is eligible under PSS.

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 if, and only if:
  - a) The PSS equipment, supplies, and devices purchased must meet the majority of residents' needs or must be assessed as necessary as part of a resident's care plan or plan of care.
  - b) Computers and computing devices (that is, hardware and software) exclusively used for the creation and maintenance of resident records and used by PSS staff in the assessment, planning, providing, assisting, evaluation, and/or documentation of the program and support services needs of residents are eligible. Only computer and computing devices that are solely 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 solely 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.

#### Raw Food

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. Alcohol and food for non-residents are not included in this envelope. This envelope includes food for special events including seasonal, cultural, religious and ethnic celebrations.

*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.

#### Other Accommodation

1. Expenditures for salaries, employee benefits<sup>6</sup>, education, 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 of the *Eligible Expenditures for LTC Homes* policy and the Annual Report and the Annual Report Technical Instructions and Guidelines in effect for the period under consideration.

Please see the ***Eligible Expenditures for LTC Homes*** policy for additional information on envelope definitions and eligibility criteria.

## **2.2 Additional Conditions, Rules and Restrictions on the Level-of-Care Per Diem Funding**

### **Balancing Use of Funds across NPC, PSS and Raw Food Envelopes**

Starting January 1, 2013, a licensee may apply Surplus Funds from the NPC or PSS envelope to offset pressures in the NPC, PSS, or RF envelopes subject to the following conditions:

- "Surplus Funds" is the residual amount in each envelope, if any, after subtracting the Allowable Expenditures from the Approved Expenditures in the originating envelope (Please refer to the *LTCH Reconciliation and Recovery Policy* for the definition of Approved Expenditures and Allowable Expenditures).

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<sup>6</sup> WSIB rebates may be deposited to the OA envelope to create an incentive for licensees to improve their workplace safety performance.

- Surplus Funds will be finally determined through the reconciliation process pursuant to the ***LTCH Reconciliation and Recovery Policy***.
- Surplus Funds in the Raw Food envelope may **not** be used to manage pressures in other envelopes.
- Funding must be expensed according to the eligibility criteria as outlined in the ***Eligible Expenditures for LTC Homes***

**Example of how this flexibility works:**

*Home A has some funding pressures in the NPC envelope and Surplus Funds in the Raw Food and PSS envelopes:*

- *Home A may **NOT** apply Surplus Funds from the Raw Food envelope to offset pressure in the NPC envelope*
- *However, Home A may use funding from the PSS envelope if based on historical patterns and current spending plan, Home A determines that it will not be able to fully utilize the funding available in the PSS envelope, then Home A may use a portion or all of the Surplus Funds to offset eligible expenses in the NPC envelope.*

**Nursing and Personal Care Envelope**

Incontinence Supplies

Licensees may expense the cost of incontinence supplies in the NPC envelope. Starting January 1, 2013, no maximum allowable expenditure will be specified for incontinence supplies under the NPC envelope. The previous maximum expense of \$1.20 per resident per day will no longer apply.

Medical Director Fees

Licensees may expense Medical Director fees in the NPC envelope. Starting January 1, 2013, no maximum allowable expenditure will be specified for Medical Director fees under the NPC envelope. The previous maximum expense of \$0.30 per resident per day will no longer apply.

Personal Support Workers (PSW) Funding

Licensees receive \$3.12<sup>7</sup> per resident per day as part of the NPC envelope to increase the number of provincially-funded, through LHINs,<sup>8</sup> PSW hours and PSW FTE positions. Funding is based on actual resident days if a licensee does not meet its target long-stay resident days, or maximum resident days if a licensee meets its target long-stay resident days for the home. For further information on occupancy targets please see the *LTCH Occupancy Targets Policy*. Licensees are required to apply the funding to increase the number of provincially-funded PSW hours and PSW FTE positions. The licensee must maintain detailed records, in the form required by the Ministry substantiating the use of the PSW funding for the home and provide information as directed about the increase in the number of net new provincially-funded PSW FTEs and PSW hours in the annual staffing survey, and otherwise as may be directed. Note that the additional amount in the per diem for this purpose effective April 1, 2011 may only be allocated to PSW hours and FTE positions created on or after that date.

Base Funding Increase for Staff Training

Licensees receive \$0.18 for implementation of *LTCHA* mandatory staff training provisions. This funding will support compliance with the Act and improve quality of care for residents as identified in quality of care indicators of the L-SAA regime and Health Quality Ontario indicators. A primary focus for training is on unregulated staff, to ensure improvement of resident care is achieved. The licensee must apply the funding to staff training activities, including development and delivery of training modules and backfilling of staff attending training.

**Program and Support Services Envelope**

Dietician Time

The licensee may expense in the PSS envelope expenditures related to the provision of 30 minutes per resident per month of Registered Dietician time to carry out clinical and nutritional care duties consistent

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<sup>7</sup> Rates current as of 2011-12

<sup>8</sup> 'Provincially funded' refers to those positions funded by the LHINs and identified in the LTC Homes Staffing Report as 'Ministry funded'. This is intended to differentiate such positions from those funded through licensees' voluntary contributions.

with s. 74(2) of O. Reg. 79/10. The expenditure of the 30 minutes must be related to registered dietician salary and benefits only. Expenditures beyond the 30 minutes are to be expensed to the OA envelope.

#### Base Funding Increase for Staff Training

Licensees receive \$0.02 for implementation of LTCHA mandatory staff training provisions. This funding will support compliance with the Act and improve quality of care for residents as identified in quality of care indicators of the L-SAA regime and Health Quality Ontario indicators. The licensee must apply the funding to staff training activities, including development and delivery of training modules and backfilling of staff attending training. The licensee must maintain records relating to the use of the funding for the home.

### **Other Accommodation Envelope**

#### Nutrition Managers and Food Service Workers

##### Minimum Staffing Requirements

1. The licensee must comply with requirements set out in section 75 of Ontario Regulation 79/10 under the *Long-Term Care Homes Act, 2007* (LTCHA) (the Regulation).
  - 1.1. Consistent with section 75 (6) of the Regulation,
    - (a) prior to January 1, 2011, the licensee must comply with the requirements set out in ss. 75 (6) (a), (b) and (c) of the Regulation and, therefore, paragraph 1.2 below does not apply prior to January 1, 2011; and
    - (b) on and after January 1, 2011, the licensee must comply with ss. 75 (3) of the Regulation.
  - 1.2. Consistent with subsection 75 (3) of the Regulation,, the licensee must ensure that the nutritional manager(s) is on site at the home working in the capacity of nutrition manager for the minimum number of hours per week calculated under the Regulation, without including any hours spent fulfilling other responsibilities. The minimum number of hours is determined by the following formula:  
$$M = A \times 8 \div 25, \text{ where}$$

“M” is the minimum number of hours per week,

“A” is

    - (a) if the occupancy of the home is 97 per cent or more, the licensed bed capacity of the home for the week, or
    - (b) if the occupancy of the home is less than 97 per cent, the number of residents residing in the home for the week, including absent residents.
2. The licensee must comply with requirements set out in section 77 of Ontario Regulation 79/10 under the *Long-Term Care Homes Act, 2007* (LTCHA) (the Regulation).
  - 2.1. Consistent with section 77 (4) of the Regulation,
    - (a) prior to January 1, 2011, the licensee must comply with the requirements set out in ss. 77 (4) (a), (b) and (c) of the Regulation and, therefore, paragraph 2.2 below does not apply prior to January 1, 2011; and;
    - (b) on and after January 1, 2011, the licensee must comply with ss. 77 (1) of the Regulation.

- 2.2. Consistent with the subsection 77 (1) of the Regulation, the licensee must ensure that there are sufficient food service workers for the home to meet the minimum staffing hours as calculated under the Regulation. The minimum number of hours is determined by the following formula:

$$M = A \times 7 \times 0.45, \text{ where}$$

“M” is the minimum number of hours of staffing hours per week,

“A” is

- (a) if the occupancy of the home is 97 per cent or more, the licensed bed capacity of the home for the week, or
- (b) if the occupancy of the home is less than 97 per cent, the number of residents residing in the home for the week, including absent residents.

#### Verification of Minimum Staffing Requirements

3. An inspector under the LTCHA will verify if the licensee meets the minimum requirements set out in paragraphs 1.2 and 2.2 above.
4. The Ministry may take into consideration the hours in a week, if any, devoted to producing meals and other food and beverages for non-residents (e.g. staff, visitors) for the sole purpose of determining whether the licensee is in compliance with the requirements set out in paragraphs 1.2 and 2.2 above. An inspector under the LTCHA may apply the formulas set out under paragraph 4.1 and 4.2 below to confirm whether the licensee is meeting the minimum requirements set out in paragraphs 1.2 and 2.2 above.
- 4.1. An inspector under the LTCHA may apply the following formula to confirm whether the licensee is meeting the minimum requirement set out in paragraph 1 for the Nutritional Manager(s):

$$M_{\text{Total}} = [A + (B \div 3 \div 7) + (C \div 3 \div 7)] \times 8 \div 25 \\ = 0.32 \left[ A + \frac{B}{21} + \frac{C}{21} \right], \text{ where}$$

“M<sub>Total</sub>” is the minimum number of hours of service per week for the management of all resident and non-resident nutritional care and dietary service programs.

“A” is,

- (a) if the occupancy of the home is 97 per cent or more, the licensed bed capacity of the home for the week, or
- (b) if the occupancy of the home is less than 97 per cent, the number of residents residing in the home for the week, including absent residents.

“B” is the total number of meals prepared in the home for the week for persons who are not residents of the home where one or both of the following two conditions are met:

- (i) staff are involved in activities in addition to food preparation including but not limited to the following:
  - (a) distribution of meals;
  - (b) receiving, storing and managing of the inventory of food and food service supplies;
  - (c) daily cleaning and sanitizing of dishes, utensils and equipment used for meal preparation, delivery or service.
- (ii) the menus for residents and persons who are not residents are not the same.

In all cases, the following meals are included under “B”: visitors, staff, day care, cafeteria, and catering.

“B” is the sum of meals prepared for each of its components, e.g., meals for visitors, staff, day care, and cafeteria. As such, “B” is calculated using the following formula:

$$B = \sum_{n=i} = b_i$$

Where possible each component, i.e.,  $b_i$ , should be measured using the number of meals prepared. For all operations that generate revenue, such as a cafeteria, the following formula should be applied to calculate  $b_i$ :

$$b_i = \frac{\text{Average weekly revenue}}{\text{Average cost per meal}}, \text{ where}$$

$$\text{Average cost per meal} = \frac{\text{Raw food per diem}}{3}$$

“C” is the total number of meals prepared in the home for other operations where both of the following two conditions are met:

- i) LTC staff is only involved in food preparation and not other activities that may include but are not limited to the following:
  - (a) distribution of meals;
  - (b) receiving, storing and managing of the inventory of food and food service supplies;
  - (c) daily cleaning and sanitizing of dishes, utensils and equipment used for meal preparation, delivery or service.
- ii) the menus for residents and for persons who are not residents are the same.

4.2. An inspector under the LTCHA may apply the following formula to verify that the licensee is meeting the minimum standard defined under paragraph 2 for Food Service Workers:

$$M_{\text{Total}} = [A \times 7 \times 0.45] + [(B \div 3) \times 0.45] + [(C \div 3) \times 0.22]$$

$$= 0.45 \left[ 7A + \frac{B}{3} \right] + 0.22 \left[ \frac{C}{3} \right], \text{ where}$$

“ $M_{\text{Total}}$ ” is the minimum number of hours per week for the activities outlined under subsection 77 (1) of the Regulation and the same or other activities related to meals for persons who are not residents defined under B and for the preparation of meals under C

“A” is,

- (a) if the occupancy of the home is 97 per cent or more, the licensed bed capacity of the home for the week, or
- (b) if the occupancy of the home is less than 97 per cent, the number of residents residing in the home for the week, including absent residents.

“B” is the total number of meals prepared in the home for the week for persons who are not residents of the home where one or both of the following two conditions are met:

- (i) staff are involved in activities in addition to food preparation including but not limited to the following:
  - (a) distribution of meals;

- (b) receiving, storing and managing of the inventory of food and food service supplies;
- (c) daily cleaning and sanitizing of dishes, utensils and equipment used for meal preparation, delivery or service.

(ii) the menus for residents and persons who are not residents are not the same.

In all cases, the following meals are included under “B”: visitors, staff, day care, cafeteria, and catering.

“B” is the sum of meals prepared for each of its components, e.g., meals for visitors, staff, day care, and cafeteria. As such, “B” is calculated using the following formula:

$$B = \sum_{n=i} b_i .$$

Where possible each component, i.e.,  $b_i$ , should be measured using the number of meals prepared. For all operations that generate revenue, such as a cafeteria, the following formula should be applied to calculate  $b_i$ :

$$b_i = \frac{\text{Average weekly revenue}}{\text{Average cost per meal}}, \text{ where}$$

$$\text{Average cost per meal} = \frac{\text{Raw food per diem}}{3}$$

“C” is the total number of meals prepared in the home for other operations where both of the following two conditions are met:

- i) LTC staff is only involved in food preparation and not other activities that may include but are not limited to the following:
  - (a) distribution of meals;
  - (b) receiving, storing and managing of the inventory of food and food service supplies;
  - (c) daily cleaning and sanitizing of dishes, utensils and equipment used for meal preparation, delivery or service.
- ii) the menus for residents and for persons who are not residents are the same.

All meals prepared for retirement home operations are included under “C” unless the two conditions defined above are not met. The inspector under the LTCHA will determine if there is non-compliance with the LTCHA and the Regulation.

#### Base Funding Increase for Staff Training

Licensees receive \$0.06 for implementation of LTCHA mandatory staff training provisions. This funding will support compliance with the Act and improve quality of care for residents as identified in quality of care indicators of the L-SAA regime and Health Quality Ontario indicators. The licensee must apply the funding to staff training activities, including development and delivery of training modules and backfilling of staff attending training. The licensee must maintain records relating to the use of the funding for the home.

#### Base Funding Increase related to LTCHA Provisions

The \$0.52 base increase provided in 2011/12 is intended to support requirements under the Act related to dietary services and mandatory training. Licensees should also consider using this funding toward professional development, recruitment and retention activities, to improve supply of qualified, unregulated direct care staff (e.g. through such initiatives as ‘Grow Your Own PSW’).

### 3.1 Applicability by Bed Type

All beds in LTC homes receive the same base LOC per diem funding for the PSS, RF and OA envelopes in effect for that period as defined in the *Level-of-Care Per Diem Funding Summary*. The level of care per diem funding amount for the NPC envelope may vary among beds as the amount may be adjusted based on resident acuity; specifically the base amount is adjusted by the home's Case Mix Index (CMI). The beds that have their NPC level of care per diem funding adjusted for resident acuity are referred to as classified beds. Section 4 provides an overview of the resident acuity adjustment process.

However, not all beds in LTC homes may have their NPC LOC per diem funding adjusted for resident acuity. New licensed or approved LTC beds where, for the purposes of case mix adjustment, the care needs of new residents have not been calculated are referred to as unclassified beds. This means that the unclassified beds are funded at the base level of care per diem in effect for that period as defined in the *Level-of-Care Per Diem Funding Summary*. The base LOC per diem funding is set at a CMI of 1.0.

#### Convalescent Care Beds

The NPC LOC per diem funding for convalescent care beds is not adjusted based on CMI. Convalescent care beds receive the base LOC per diem funding, as set in the *Level-of-Care Per Diem Funding Summary* for the applicable period. Convalescent care beds also receive an additional subsidy. The additional subsidy is provided in addition to the base LOC per diem funding because a resident in a convalescent care bed requires a period of time in which to recover strength, endurance and functioning and it is anticipated that the resident will return to his or her residence within 90 days after admission to the home and as such they require more nursing care and therapies than other LTCH residents. The additional subsidy is allocated between the NPC, PSS and OA envelopes.

Please refer to the *LTCH Convalescent Care Additional Subsidy Funding Summary* for the specific amount of funding that constitutes the additional subsidy at a specific point in time and the allocation of the subsidy between NPC, PSS and OA envelopes. The additional subsidy amounts are set by the Ministry and are updated by the Ministry from time to time.

#### Short-Stay Respite Beds

NPC LOC per diem funding for short-stay respite beds is adjusted based on the average CMI of the home.

#### Interim Beds

In instances where interim beds are being implemented and resident care needs have not been calculated for the purpose of case mix adjustment, CMI is deemed to be 1.0 and the bed receives the base LOC per diem funding as set in the *Level-of-Care Per Diem Funding Summary* for the applicable period.

In instances where interim beds are being added to a LTC home where, for the purpose of case mix adjustment, the resident care needs have been estimated, the CMI applicable to the home may be assigned to the interim bed.

### 4.1 Acuity Adjustment

The NPC LOC per diem funding component for LTC beds may be adjusted for resident acuity. Until April 2010, the Ministry applied the Alberta Resident Classification System (ARCS) to determine resident acuity and adjust funding accordingly. As of April 2010, the Ministry moved to adopt a new classification system called Resource Utilization Groups (RUGs) for the purposes of adjusting the base per diem of the NPC envelope.

The sections below describe how funding is adjusted under the new system during the transition to RUGs and going forward thereafter.

#### Resource Utilization Groups

The calculation of CMI using RUGs is a result of the move to RAI-MDS across the LTC sector. The RAI-MDS data is collected on a quarterly basis, rather than annually under ARCS, and a RUGs score is assigned for each assessment period. As a result it is possible to calculate a resident-level CMI, and ultimately a home-level CMI that reflects changes in resident acuity throughout the year.

Under RAI-MDS, for the purpose of case mix grouping, the Ministry has adopted the RUG-III 34-group model. The 34-group model uses over 100 MDS items to determine the appropriate RUG III category. Membership in a RUG category is based on how much care a resident needs, types of treatments received, and whether or not the resident has certain conditions or diagnoses.

The method used to calculate a CMI under RUG-III (34) is called RUG Weighted Patient Days (RWPD). This method is also used in Complex Continuing Care to calculate home-level CMI in that sector. Calculation of RWPD involves the following steps:

1. RUG-III (34) classification of each MDS assessment over a 12-month period.
2. Calculation of number of days associated with the RUG-III (34) classification for each MDS assessment over a 12-month period.
3. Weighting of days (i.e. resident days in an assessment period multiplied by the case mix weight associated with the RUG-III (34) group for that assessment).
4. Sum weighted days within a home (RWPD).
5. Sum un-weighted days within a home (total resident days).
6. Calculate the home-level CMI by dividing total home RWPD by total home resident days.

Please see Appendix B for an example of how to calculate home-level CMI.

The CMI will be calculated once annually by the Ministry during the winter and then applied to funding the following April based on the formula below:

$$\text{Base NPC} \times \text{Home CMI} = \text{NPC adjusted for CMI}$$

By definition, a CMI of 1.0 represents the resource use of the average LTC resident. Therefore, every year the provincial average CMI will be set to 1.0. In order to ensure this average, the RUG case mix weights will be rescaled by the Ministry on an annual basis. This process will take into account the distribution of resident days in the year as well as applicable changes in wage rates. This practice is in line with that in place in other sectors including acute care and Complex Continuing Care.

Note: During transition from ARCS to RUGs, the method for calculating CMI for the purposes of funding includes assessed days only. Following transition, assessed and unassessed days will be included in the calculation of CMI. For a full description of the RWPD methodology, including assessed and unassessed days, please go to: [www.cihi.ca](http://www.cihi.ca).

#### Transition from ARCS to RUGs

During the implementation of RAI-MDS, homes have been subject to a case mix freeze for funding purposes. As of April 2010 homes in Phase 1 through 5 will come off the freeze and be funded based on a RUGs CMI. Homes in Phase 6 through 8 remain on a CMI freeze. The CMI freeze methodology applied to homes in Phases 6 through 8 as of April 2010 was as follows:

The higher of:

- (1) The home's 2008 ARCS CMI;
- (2) The average of the home's 2006, 2007, 2008 ARCS CMIs;

If the value of both of the above was less than 100, then the higher of (1) or (2) was topped up by 3 to a maximum of 100.

For those homes that went through the Audit & Appeal process, the average of the 2006, 2007, 2008 ARCS CMIs was the protected (frozen) CMI. If the value is less than 100, the average was topped up by 3 to a maximum of 100.

Homes will come off the CMI freeze in two groups as set out in the following table with the first group of homes transitioning to the new RUGs CMI effective April 1, 2010.

		Apr-09	Apr-10	Apr-11	Apr-12	Apr-13	Apr-14	Apr-15
Phase I - V	Transition Status	Base Year	Year 1	Year 2	Year3	Off	Off	Off
	CMI	Frozen ARCS	RUG-III 08/09	RUG-III 09/10	RUG-III 10/11	RUG-III 11/12	RUG-III 12/13	RUG-III 13/14
	Corridor		± 5%	± 5%	± 5%			
Phase VI - VIII	Transition Status			Base Year	Year 1	Year 2	Year 3	Off
	CMI	2008 ARCS	Frozen ARCS	Frozen ARCS	RUG-III 10/11	RUG-III 11/12	RUG-III 12/13	RUG-III 13/14
	Corridor				± 5%	± 5%	± 5%	

During the transition period the following provisions will apply:

- A corridor will be applied to limit year-to-year changes in CMI for funding purposes. This corridor has been set at a + or – 5% change in CMI from the previous year, although may be subject to change by the Ministry depending on increases to the NPC envelope in any given year in order to prevent a significant number of homes being significantly off-side as a result of the transition.
- Each home transitioning effective April 1, 2010 will be funded based on an adjusted transition CMI equal to the product of 1.0231 and the home's transition CMI.
- Homes in Phases 6 through 8 will be transitioned no earlier than April 2012, subject to availability of data for the purposes of calculating CMI.

Following transition, annual CMI notices will be provided to the licensee for each home based on the ongoing assessment of residents using the RAI-MDS assessment tool.

### 5.1 Resident Accommodation Charge

Each resident is responsible for paying the charge for accommodation in accordance with the *Long-Term Care Homes Act (LTCHA) 2007*, and regulations thereunder. This is often referred to as resident co-payment. A resident who is unable to pay the full charge for accommodation may be eligible for a rate reduction in accordance with Ontario Regulation 79/10 under the LTCHA. Please see the *Rate Reduction Summary Guide* for further details.

In the calculation of the LOC per diem funding, the revenue generated from resident accommodation charges is subtracted from the total of the four funding envelopes as follows:

$$(\text{NPC} + \text{PSS} + \text{RF} + \text{OA}) - \text{Resident Co-payment Revenue} = \text{LOC Per Diem Funding}$$

Please note: the NPC envelope in the above formula may be adjusted for resident acuity, as appropriate.

Generally speaking the resident co-payment revenue is referring to resident accommodation charge but please refer to the *LTCH Cash Flow Policy* for further details on resident co-payment revenue estimation and cash flow.

A LHIN may not fund any portion of the resident co-payment unless permitted by the Ministry in policy or in an accountability agreement between the Ministry and the LHIN.

### 6.1 Supplementary Per Diem

Starting January 1, 2013, the LHINs will fund LTCH licensees \$0.63 per diem to supplement the NPC envelope and \$0.12 per diem to supplement the Raw Food envelope.

- Expenditures for items purchased with this funding must meet the relevant envelope guidelines as set out in this policy and the *Eligible Expenditures for LTC Homes*.
- This funding will be reconciled as set out in the *LTCH Recovery and Reconciliation Policy*.
- This funding is not subject to acuity adjustments as set out in section 4.1 of this policy.

## **Appendix A: Introduction to RUGs-III (34)**

Case mix groupers are a way to categorize long-term care residents into groups that are similar with respect to cost or resident acuity. Since 1993, one hundred per cent of the NPC envelope has been adjusted for resident acuity using the Alberta Resident Classification System (ARCS). Over time, ARCS has been seen to have a number of limitations. For example, stakeholders have criticized the fact that it does not contribute to resident care planning and provides only a “snapshot” of resident needs.

RAI-MDS 2.0 will be in place across the Ontario LTC sector and all homes submitting data by the summer of 2010. Please see RAI-MDS 2.0 LTC Homes – Practice Requirements for details.

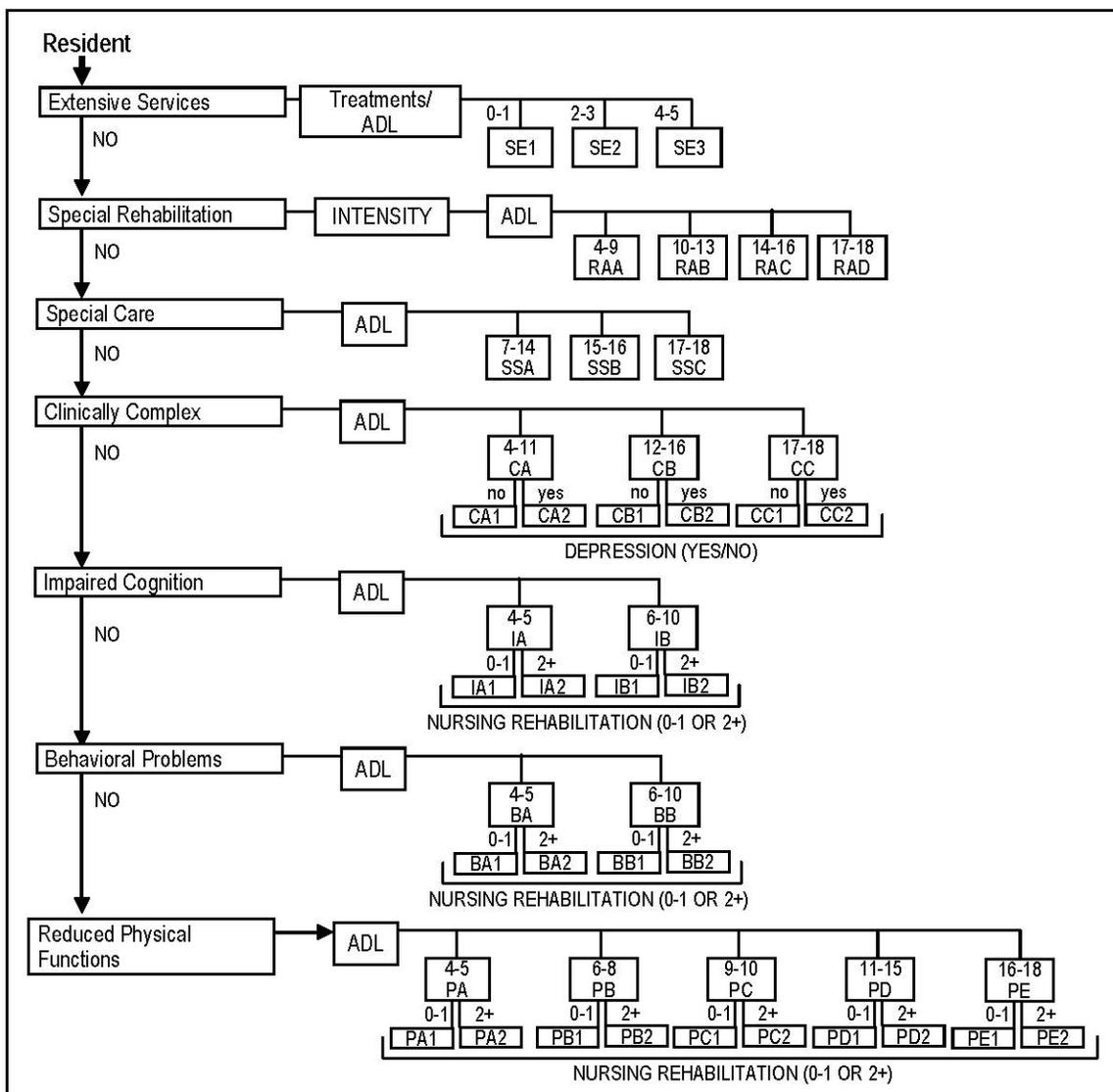
Resource Utilization Groups (RUGs) is a case mix grouping methodology that can be calculated using data from the RAI-MDS. Compared to ARCS, RUGs provides a more comprehensive view of residents based on diagnosis and informs which services residents receive with a focus on activities of daily living and measurable outcomes.

In partnership with the LTC sector, the MOHLTC adopted the RUG III 34 group model as the case mix grouping methodology to adjust the NPC envelope for LTC homes in Ontario. The 34-group model includes 4 groups for residents that receive rehabilitation services. The 34-group model is more suitable for long-term care programs where nursing care is the primary cost driver. The 34-group model is used in the prospective payment model for Medicaid long-term care programs in the United States.

The algorithm for the 34-group model is shown below in Figure #1. The 34-group model uses over 100 MDS items to determine the appropriate RUG category. Membership in a RUG category is based on how much care a resident needs, types of treatments received, and whether or not the resident has certain conditions or diagnoses. These could include:

- Assistance with Activities of Daily Living (ADLs) - bed mobility, transferring from one position to another, eating, and toilet use. A total ADL score of 4 – 18 is possible. The ADL score is a main part of determining your case mix classification. The more assistance you need, the higher your ADL score will be;
- Treatments such as intravenous (IV) medication, fluids, or nutrition;
- Depression or behavioral symptoms;
- Decreased ability to communicate or make decisions;
- Therapy needs (Speech, Occupational, and/or Physical therapy).

**Figure #1: RUG-III 34 Groups**



NOTE: Licensees do NOT need to determine a resident’s membership in a RUG. Vendor software packages automatically calculate RUG membership for each relevant assessment. Reports on RUG distribution at the home and provincial level are provided by CIHI. In addition, education on RUG-III (34) is provided by CIHI ([www.cihi.ca](http://www.cihi.ca)).

## Appendix B: Calculating Home-Level CMI under RUGs

Home Name :  
Assessment Period :

ABC LTC Home  
2008/2009 Fiscal Year commencing April 1

Apr. 1,2010 Transition  
Group (215 homes)

RUG III (34 Group)	Reference	Assessed Days (A)	%	Weight (2009) (B)	RUG Weighted Patient Days (RWPD) A * B	Assessed Days	%
1 SE3		112	0.2%	1.9422	217.5254	8.739	0.1%
2 SE2		92	0.2%	1.5910	146.3720	45.381	0.4%
3 SE 1		0	0.0%	1.4460	0.0000	2.862	0.0%
4 RAD		25	0.1%	1.6125	40.3125	164,841	1.5%
5 RAC		292	0.6%	1.3492	393.9664	172,812	1.6%
6 RAB		0	0.0%	1.1973	0.0000	132,057	1.2%
7 RAA		0	0.0%	1.0167	0.0000	135,687	1.2%
8 SSC		496	1.1%	1.4020	695.3920	347,259	3.2%
9 SSB		1,610	3.5%	1.3189	2,123.4290	230,639	2.1%
10 SSA		610	1.3%	1.2195	740.2360	230,154	2.1%
11 CC2		270	0.6%	1.3794	372.4380	192,286	1.8%
12 CC1		586	1.3%	1.2770	748.3220	206,509	1.9%
13 CB2		788	1.7%	1.1905	938.1140	318,639	2.9%
14 CB1		1,325	2.9%	1.1161	1,478.6325	250,812	2.3%
15 CA2		205	0.4%	1.0683	219.0015	319,887	2.9%
16 CA1		2,168	4.7%	0.9413	2,040.7384	383,950	3.3%
17 IB2		81	0.2%	0.9729	78.8049	98,740	0.9%
18 IB1		3,124	6.8%	0.9469	2,958.1156	882,097	8.1%
19 IA2		92	0.2%	0.7561	69.5612	34,429	0.3%
20 IA1		2,327	5.1%	0.7177	1,670.0879	296,591	2.7%
21 BB2		0	0.0%	0.9388	0.0000	9.920	0.1%
22 BB1		262	0.6%	0.8917	233.6254	111,273	1.0%
23 BA2		0	0.0%	0.7036	0.0000	8.028	0.1%
24 BA1		1,359	3.0%	0.6327	859.8393	496,252	4.6%
25 PE2		645	1.4%	1.1291	728.2695	230,358	2.1%
26 PE1		8,492	18.4%	1.1063	9,394.6996	1,878,700	17.2%
27 PD2		88	0.2%	0.9969	87.6392	225,286	2.1%
28 PD1		7,382	16.0%	0.9718	7,173.6276	1,654,421	15.2%
29 PC2		0	0.0%	0.9095	0.0000	17,882	0.2%
30 PC1		1,316	2.9%	0.8429	1,109.2564	190,082	1.7%
31 PB2		0	0.0%	0.7118	0.0000	26,356	0.2%
32 PB1		3,603	7.8%	0.7016	2,527.8848	374,136	3.4%
33 PA2		184	0.4%	0.6452	118.7168	40,739	0.4%
34 PA1		8,509	18.5%	0.6308	5.367.4772	1,194.923	11.0%
<b>Total Assessed Days</b>	<b>A</b>	<b>46,043</b>	<b>100.0%</b>			<b>10,892,707</b>	<b>100.0%</b>
<b>Total RUG Weighted Patient Days</b>	<b>B</b>				<b>42,532.4651</b>		

Home Assessed Days Case Mix Index (RUG-III (34))       $C = B/A = 42,532/46,043 = 0.9238$