

<b>Policy:</b> <b>LTCH Reconciliation and Recovery Policy</b>	As Amended and Effective	<b>April 1, 2011</b>	Released March 2012
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### 1.1 Purpose

This policy will outline the process by which the Local Health Integration Network (LHIN) and Ministry of Health and Long-Term Care (Ministry) will adjust funding estimates and cash flow to licensees on an in-year basis, and reconcile and recover funding on a year-end basis.

While a LHIN is required to reconcile funding they have paid to a licensee, and where applicable, provide additional funding to a licensee or recover over-funding from a licensee as a result of that reconciliation, and the Ministry is required to reconcile funding they have paid to a licensee, and where applicable, provide additional funding to a licensee or recover over-funding from a licensee as a result of that reconciliation, the reconciliation and recovery of funding provided to licensees, as outlined in this policy document, continues to follow established processes utilizing the same reports and notifications as in prior years, and, further, in order to avoid duplicative reporting, the Ministry, on behalf of a LHIN, may reconcile and recover LHIN and Ministry funding together where stated.

### 1.2 Background

For the purpose of providing cash flow, funding is advanced to licensees in monthly payments based on estimates of funding.<sup>1</sup> At the beginning of each year, the LHIN and the Ministry estimate the funding for the licensee and determine the cash flow based on this estimate.

The funding advanced to licensees in monthly installments is approximately one-twelfth of the estimated annual funding. The LHINs and Ministry must reconcile the estimated funding they pay on an in-year and year-end basis, subject to the terms and conditions of funding. Overpayments of funding are recovered and, in the case of underpayment, additional funding is provided.

As such, the in-year and year-end reconciliation and recovery process allows the LHIN and Ministry to determine the adjustments to funding estimates and identify payments to or recoveries from a licensee where applicable.

### 1.3 Definitions

**Accommodation Type** – means the type of accommodation occupied by a resident in a long-term care home. Currently, the Accommodation Types are Long-Stay Private, Long-Stay Semi Private, Long-Stay Basic, Homes for Special Care, Status Indian, Short-Stay Respite, Convalescent Care, Veterans’ Priority Access, Veterans’ Priority Access – Private Pay Preferred, Interim Short-Stay Private, Interim Short-Stay Semi Private and Interim Short-Stay Basic.

**Actual Resident Days** – resident days are defined as a unit of service that represents one resident in the home for a period of one day. For the purposes of determining resident days, a day is a 24-hour period starting at 12 midnight for long-stay residents and interim short-stay residents, and a 24-hour period starting at the time of admission for short-stay respite and convalescent care residents. Both the day of

<sup>1</sup> Please refer to the *LTCH Cash Flow Policy* for further details.

admission and the day of discharge are included in the count of resident days.<sup>2</sup> If a bed is occupied, only one resident day may be counted per bed in a 24-hour period. Where the placement co-ordinator has authorized the resident's admission to the home as a long-stay resident or an interim bed short-stay resident, but the resident has not yet moved into the home, the 5 days contemplated by subparagraph 185 (1) (f) (ii) of O.Reg 79/10 under the *Long-Term Care Homes Act 2007*, are included in the count of Actual Resident Days. Further, where applicable, bed retention days are included in the count of Actual Resident Days where a resident is absent from the home only as permitted for absences as defined in section 138 of O. Reg 79/10. Total Actual Resident Days are calculated by taking the sum of the resident days as defined above, in the period under consideration.

**Allowable Expenditures** – means the sum of admissible expenditures for each of the four funding envelopes (Nursing and Personal Care (NPC), Program and Support Services (PSS), Raw Food (RF) and Other Accommodation (OA)), as submitted on the audited Long-Term Care Home Annual Report and as determined in the Overall Reconciliation Report, for a specified twelve-month period. The expenditures submitted on the Long-Term Care Home Annual Report are subject to adjustment for reasonability, eligibility or admissibility by the LHINs and/or Ministry in accordance with the Eligible Expenditures Guidelines and the Envelope Definitions of the *Eligible Expenditures for LTC Homes Policy*, the “Long-Term Care Home Annual Report Technical Instructions and Guidelines” in effect for the period under consideration, and the *LTCH Level of Care Per Diem Funding Policy*. The sum of the Allowable Expenditures of the four funding envelopes represents the Total Allowable Expenditures.

**Approved Expenditures** – means the sum of funding for each of the four funding envelopes (Nursing and Personal Care (NPC), Program and Support Services (PSS), Raw Food (RF) and Other Accommodation (OA)), as determined in the Overall Reconciliation Report, for a specified twelve-month period. The sum of funding includes the Level of Care Per Diem funding plus all other applicable Non-Level of Care Funding allocated by envelope, subject to the terms and conditions of funding as outlined in the Long-Term Care Homes Service Accountability Agreement (L-SAA) and/or direct funding agreement between the Minister and a licensee and/or applicable Policy. The sum of the Approved Expenditures of the four funding envelopes represents the Total Approved Expenditures.

**Allowable Subsidy** – means the funding for which a licensee is eligible to receive for the twelve-month period specified in the “Long-Term Care Home Annual Report Technical Instructions and Guidelines”, taking into consideration the actual occupancy, actual resident co-payment revenue and allowable expenditures, as determined by the year-end reconciliation process and as stated in the Overall Reconciliation Report. Also referred to as ‘Approved Funding’.

**Base Level of Care Per Diem** – means the total per diem subsidy as determined by the Ministry in effect for the period under consideration, and is comprised of the four funding components of the current funding model (Nursing and Personal Care (NPC) envelope, Program and Support Services (PSS) envelope, Raw Food (RF) envelope and Other Accommodation (OA) envelope). The Base Level of Care Per Diem represents the per diem amount that has not been modified by a Case Mix Index (CMI) adjustment.

**Basic Accommodation** – in relation to a long-term care home, means lodging in a standard room in the home, housekeeping services, maintenance and use of the home, dietary services, laundry and linen services, administrative services and raw food.

**Bed Class** – means one of the bed categories Classified, Unclassified or Convalescent Care as identified on the licensee's Monthly Payment Calculation Notice.

**Cash Flow** – means the Estimated Total Funding advanced each month by the LHIN and/or Ministry to a licensee pursuant to the *LTCH Cash Flow Policy*. Monthly cash flow is determined by taking the estimated funding for a year and dividing by twelve. Monthly cash flows may be subject to revised funding adjustments that apply to that same twelve-month period but which may have occurred before or after the same twelve-month period as warranted.

**Eligible Expenditures** – means the lesser of the Approved Expenditures or the Allowable Expenditures for each of the three recoverable envelopes, which are Nursing and Personal Care, Program and Support

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<sup>2</sup> The following exceptions apply in accordance with O.Reg. 79/10 Sec. 256 (2) and (3): in the case of a long-stay resident, the day of discharge is not counted as a resident if the resident is transferred to another long-term care home, and in the case of a short-stay resident, the day of discharge is not counted as a resident day.

Services and Raw Food. The Eligible Expenditures for the Other Accommodation envelope will equal the Approved Expenditures<sup>3</sup>. The sum of the Eligible Expenditures of the four funding envelopes represents the Total Eligible Expenditures.

**Estimated Provincial Subsidy** – means an estimate of the monies payable to a licensee based on their Licensed Bed Capacity subject to the terms and conditions of funding and funding methodologies as outlined in the Long-Term Care Home/LHIN Service Accountability Agreement (L-SAA) and/or applicable Policy and calculated in accordance with Section 2.1 (i) through (iv) of the *LTCH Cash Flow Policy*. The Estimated Provincial Subsidy includes Level of Care Per Diem Funding net of the sum of estimated Resident Co-payment Revenue, Registered Practical Nurse Funding, Construction Funding Subsidy and, where applicable, any other Non-Level of Care Funding paid by a LHIN<sup>4</sup>. In addition, beds that are not available for occupancy under a written permission of the Director under subsection 104 (3) of the *Long-Term Care Homes Act, 2007* will continue to receive Construction Funding Subsidy in accordance with the *Beds in Abeyance Policy*. The Estimated Provincial Subsidy for a licensee is stated on the Monthly Payment Calculation Notice and annual Fac05C Report available at [www.fimdata.com/LTCHome](http://www.fimdata.com/LTCHome).

**Estimated Total Subsidy** – means the Estimated Provincial Subsidy plus an estimate of the monies payable by the Ministry to a qualifying licensee under a direct funding agreement for Non-Level of Care Funding, subject to the terms and conditions of funding and/or funding methodologies as outlined in the direct funding agreement and/or applicable Policy, and calculated in accordance with Section 2.1 of the *LTCH Cash Flow Policy*. The Estimated Total Subsidy for a licensee is stated on the Monthly Payment Calculation Notice and annual Fac05C Report available at [www.fimdata.com/LTCHome](http://www.fimdata.com/LTCHome).

**Final Settlement Amount** – means the amount of monies either recoverable from or payable to a licensee by the LHINs and/or Ministry at the end of a calendar year. The Final Settlement Amount is equal to the difference between the Allowable Subsidy and the sum of the Estimated Total Subsidy advanced as monthly cash flows for the same twelve-month period, plus or minus any adjustments that apply to that same twelve-month period, but which may have occurred before or after the same twelve-month period. The Final Settlement Amount is the amount calculated in the Overall Reconciliation Report as “Recovery / (Owing)”.

**Interim Short-Stay Beds** – means a bed in a long-term care home under the interim bed short-stay program.

**Level of Care (LOC) Per Diem** – means the total per diem subsidy as determined by the Ministry in effect for the period under consideration and is comprised of the four funding envelope components (Nursing and Personal Care (NPC), Program and Support Services (PSS), Raw Food (RF) and Other Accommodation (OA)) of the current funding model. Of the four envelopes, only the Base Level of Care Per Diem in the Nursing and Personal Care envelope is subject to adjustment by the CMI. Please refer to the *LTCH Level of Care Per Diem Funding Policy* for further information.

**Licensed Bed Capacity** – means the total licensed or approved beds under the *Long-Term Care Homes Act, 2007* excluding beds that are not available for occupancy under a written permission of the Director under subsection 104 (3) of the *Long-Term Care Homes Act, 2007*.

**Licensee** - means the holder of a licence issued under the *Long-Term Care Homes Act, 2007*, and includes the municipality or municipalities or board of management that maintains a municipal home, joint home or First Nations home.

**L-SAA (Long-Term Care Home/LHIN Service Accountability Agreement)** – means the service accountability agreement between a licensee of a long-term care home and a LHIN required by section 20 of the *Local Health System Integration Act, 2006*.

**Low Occupancy Homes** – means long-term care homes where the actual occupancy, excluding Convalescent Care Beds and Interim Short Stay Beds, for the period January 1 to September 30, as reported on the home’s most recent submission of the In-Year Revenue/Occupancy Report, is 80% or less. Low Occupancy Homes are subject to an Occupancy Factor adjustment to their Level of Care Per

<sup>3</sup> Special conditions apply to licensees in receipt of Red Circle funding. Please refer to the *Appendix to the Recovery and Reconciliation Policy* for further information.

<sup>4</sup> Please refer to Section 2.1 (i) through (iv) of the *LTCH Cash Flow Policy* for the calculation of Estimated Provincial Subsidy.

Diem funding. Please refer to the *LTCH Occupancy Targets Policy* and Section 2.2.4 of this policy for further information.

**Maximum Resident Days** – means the sum of the Licensed Bed Capacity (operating capacity) multiplied by the number of days in operation for each funding period. The operating capacity is based on the number of beds in operation for each period, as agreed to by the licensee and the LHIN and/or Ministry. See the *LTCH Occupancy Targets Policy* and the “Technical Instructions and Guidelines for the Long-Term Care Home Subsidy Calculation Worksheet” for further details on calculating Maximum Resident Days for Long-Stay, Short-Say Respite, Convalescent Care and Interim Short-Stay beds.

**Non-Level of Care Funding** - means supplementary funding streams, each with distinct terms and conditions provided to qualifying licensees, and excludes the Level of Care Per Diems. Although some supplementary funding may be distributed among the envelopes as set out in the terms and conditions of funding, it does not form part of the Level of Care Per Diems. Non-Level of Care funding may be paid to a licensee by a LHIN through the L-SAA or by the Ministry through a direct funding agreement. Non-Level of Care Funding includes, but is not limited to, Construction Funding Subsidy and Registered Practical Nurse Initiative, which are paid by a LHIN, and High Wage Transition Funding, Pay Equity Funding and/or Equalization Adjustment, Municipal Tax Allowance Funding, Accreditation Funding, Physician On-Call Funding, Structural Compliance Premium, MDS Early Adopter Funding, High Intensity Needs Funding, and Laboratory Services Funding, which are paid by the Ministry, except where paid by a LHIN and calculated as part of the Estimated Provincial Subsidy in accordance with the L-SAA. Non-Level of Care Funding initiatives may be amended, terminated and/or initiated from time to time as the result of changes to policy that provides the specific rules in respect of each form of funding.

**Occupancy Targets** – means the minimum number of resident days a licensee must provide service for residents based on the bed type identified in Schedule B of the licensee’s L-SAA as either Long-Stay, Short-Stay Respite, Interim Short-Stay or Convalescent Care to receive their Level of Care Per Diem funding, and Additional Subsidy as applicable, based on Maximum Resident Days. Please refer to the *LTCH Occupancy Targets Policy* and the “Technical Instructions and Guidelines for the Long-Term Care Home Subsidy Calculation Worksheet” for further details on calculating Occupancy Targets.

**Other Recoverable Revenue** – means revenues generated using Ministry-funded and/or LHIN-funded resources that are non-retainable by the licensee. Ministry-funded and/or LHIN-funded resources include any real or personal, tangible or intangible asset or human resource to which a LHIN or the Ministry, either directly or indirectly, has provided financial assistance through either capital investment, project funding or operating subsidy. Examples of Other Recoverable Revenues include interest earned on advance payments of LHIN and/or Ministry operating subsidies and/or project funding, recoveries of previously written-off bad debts<sup>5</sup> and disposal of LHIN and/or Ministry funded assets<sup>6</sup>. The licensee’s share of preferred accommodation revenue, resident charges for optional services, and revenues related to operations that are not part of the funded home are examples of items not to be included as Other Recoverable Revenue.<sup>7</sup>

**Preferred Accommodation** – in relation to a long-term care home, means lodging in private accommodation in the home, or semi-private accommodation in the home, housekeeping services, maintenance and use of the home, dietary services, laundry and linen services, administrative services and raw food.

**Prior Period Revenue** – means Resident Co-payment Revenues collected during the current reporting period that were reported as not collected in previous audited Long-Term Care Home Annual Report submissions.<sup>8</sup>

**Reconciliation** – for the purpose of identifying variances and adjusting cash flow to licensees where appropriate, Reconciliation means a process by which the Estimated Total Subsidy is compared to actual

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<sup>5</sup> For further information, please refer to the *LTCH Bad Debt Reimbursement Policy*.

<sup>6</sup> Please refer to the *LTCH Furnishings and Equipment Management Policy* for further information.

<sup>7</sup> For further information on the types of revenues to be reported as and/or excluded from Other Recoverable Revenue, please refer to the *LTCH Furnishings and Equipment Management Policy*, the “Long-Term Care Home Annual Report Technical Instructions and Guidelines” in effect for the period under review, the L-SAA and the direct funding agreements between the Minister and a licensee.

<sup>8</sup> Please refer to the “Long-Term Care Home Annual Report Technical Instructions and Guidelines” for further information on reporting Prior Period Revenues.

results, which are subject to adjustment to comply with the terms and conditions of funding for the period under consideration. With respect to the Long-Term Care Home Annual Report reconciliation process, the Allowable Subsidy is determined based on the audited Long-Term Care Home Annual Report submission, subject to adjustments where appropriate to comply with the terms and conditions of funding as set out in the applicable policies and governing documents. The Allowable Subsidy is compared to actual cash flowed during the same period, plus or minus any adjustments as they apply to that same twelve-month period but which may have occurred before or after the same twelve-month period, to determine the Final Settlement Amount in the form of a recovery from or payment to a licensee.

**Recovery** – means the process by which the LHINs and Ministry recover monies from a licensee as a result of a variance between the Allowable Subsidy and the Estimated Total Subsidy whereby future funding payments to a licensee are reduced based on established recovery standards in accordance with Section 2.4, or by a lump-sum repayment by way of bank draft payable to the Minister of Finance, or by any other means necessary.

**Resident Co-payment Revenue** – means the sum of basic accommodation fees a licensee may charge residents for a bed, subject to the maximum rates outlined in the *Long-Term Care Homes Act, 2007* for the type of accommodation the resident occupies and subject to the following rules. Reductions in basic accommodation charges are only permitted for residents residing in basic accommodation for whom the Director has provided a reduced rate in accordance with Ontario Regulation 79/10 under the *Long-Term Care Homes Act, 2007*.<sup>9</sup> For residents in preferred accommodation, including Veterans' Priority Access Long-Term Care (VLTC) residents, Resident Co-payment Revenue is the amount calculated using the maximum rate outlined in the *Long-Term Care Homes Act, 2007* for basic accommodation. For residents in basic accommodation who have not applied for a rate reduction in accordance with O. Reg. 79/10 under the *Long-Term Care Homes Act, 2007*, including residents occupying Interim Short-Stay Basic beds, Resident Co-payment Revenue is the amount calculated using the maximum rate in the *Long-Term Care Homes Act, 2007* for basic accommodation. For residents in basic accommodation who have applied for a rate reduction in accordance with O. Reg. 79/10 under the *Long-Term Care Homes Act, 2007*, including residents occupying Interim Short-Stay Basic beds, Resident Co-payment Revenue is the amount calculated using the rate determined by the Director in accordance with Regulation 79/10 under the *Long-Term Care Homes Act, 2007*, pursuant to the rate reduction application process in accordance with the *Long-Term Care Homes Act, 2007* and the *Guide for Rate Reductions*. Where a rate reduction has been calculated using the rate determined by the Director in accordance with O. Reg. 79/10, a LHIN will provide the difference in funding to a licensee between the Level of Care Per Diem funding and the Resident Co-payment rate as determined by the Director. For Short-Stay Respite residents, Resident Co-payment Revenue is the amount calculated using the maximum rate for short-stay accommodation in the *Long-Term Care Homes Act, 2007*. For Long-stay residents who occupy designated Convalescent Care Beds during the Orientation Period only, the co-payment and preferred accommodation fees charged by licensees shall be considered as basic accommodation revenue during reconciliation.

**Resident Co-payment Revenue Per Diem Rate Estimate** – means an estimate of the average daily Resident Co-payment Revenue (basic portion only) based on the actual Resident Co-payment Revenue as reported on the licensee's most recent submission of the In-Year Revenue/Occupancy Report. Please refer to Sec. 2.2.4 (iv) and (v) of this Policy document for further information.

**Short-Stay Respite Care Beds** – means a bed that is licensed or approved under the *Long-Term Care Homes Act, 2007*, and designated as a bed in the short-stay respite care program. The purpose of the short-stay respite care program in a long-term care home is to provide temporary care for individuals whose caregivers require temporary relief from their care-giving duties. Level of Care Per Diem Funding for Short-Stay Respite Care Beds is provided at Maximum Resident Days regardless of actual occupancy rates achieved. However, actual occupancy rates are monitored and continued participation in the Short-Stay Respite Program may depend on actual occupancy rates achieved for the period under consideration.<sup>10</sup> To determine the actual occupancy rate for Short-Stay Respite Care Beds, the day of admission may be included in the count of Actual Resident Days, but the day of discharge may not in accordance with O. Reg. 79/10 Sec. 256 (3) whereby a resident is required to pay a charge for accommodation on the day of admission and is not required to pay a charge for accommodation on the day of discharge

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<sup>9</sup> For further information on reductions to basic accommodation charges, please refer to the *Guide for Rate Reductions*.

<sup>10</sup> Please refer to the *LTCH Occupancy Targets Policy* for further information on Short -Stay Respite Care Beds.

**Target Convalescent Care Resident Days** – means the minimum number of resident days a licensee must provide service for convalescent care residents to receive their Additional Subsidy based on Maximum Convalescent Care Resident Days. Please refer to the *LTCH Occupancy Targets Policy* and the “Technical Instructions and Guidelines for the Long-Term Care Home Subsidy Calculation Worksheet” for further details on calculating Target Convalescent Care Resident Days.

**Target Interim Short-Stay Resident Days** – means the minimum number of resident days a licensee must provide service for interim short-stay residents to receive their Level of Care Per Diem funding based on Maximum Interim Short-Stay Resident Days. Please refer to the *LTCH Occupancy Targets Policy* and the “Technical Instructions and Guidelines for the Long-Term Care Home Subsidy Calculation Worksheet” for further details on calculating Target Interim Short-Stay Resident Days.

**Target Long-Stay Resident Days** – means the minimum number of resident days a licensee must provide service for long stay residents to receive their Level of Care Per Diem funding based on Maximum Long-Stay Resident Days. Please refer to the *LTCH Occupancy Targets Policy* and the “Technical Instructions and Guidelines for the Long-Term Care Home Subsidy Calculation Worksheet” for further details on calculating Target Long-Stay Resident Days.

**Veterans’ Priority Access Long-Term Care (VLTC) Bed** – means a long-term care bed that is a) occupied by a Veteran<sup>11</sup>; b) now vacant and being held for a Veteran<sup>12</sup> who is eligible for a Veterans Priority Access Long-Term Care (VLTC) Bed, for a period of 5 days under subparagraph 185 (1) (f) (i) of O. Reg 79/10 of the *Long-Term Care Homes Act, 2007*, provided a Veteran is on the waiting list for a bed; or c) being held for a Veteran for allowable absences in accordance with O. Reg. 79/10 under the *Long-Term Care Homes Act, 2007*.

## 2.1 Submission of Reports

As a term and condition of funding, licensees will be required to submit reports by the specified due dates in the form and manner in accordance with the L-SAA, a direct funding agreement with the Ministry, applicable policy documents and report submission instructions in effect for the period being submitted. Requested reports include those that are in-year and year-end.

Both the LHINs and Ministry may only reconcile funding they provide to a licensee. However, in order to avoid cumbersome or duplicative reporting processes, the Ministry may reconcile LHIN and Ministry funding together. To this end, the Ministry continues to reconcile funding and process recoveries on behalf of the LHIN unless otherwise stated.

## 2.2 In-Year Reconciliation

In-year reconciliation reports include Municipal Tax Allowance, In-Year Revenue/Occupancy Reports and ad hoc Report requests. The report submission and/or application instructions will be provided to all licensees.

### 2.2.1 In-Year Reconciliation of Funding for Municipal Tax Allowance

The Ministry recognizes that some Long-Term Care Homes are required to pay municipal taxes while others are exempt. Each year, the Ministry requests the submission of applications in order to subsidize the costs incurred by eligible licensees that pay these taxes.

The Municipal Tax Allowance funding paid to licensees is based on the sum of the licensee’s eligible final municipal taxes assessed and paid, plus capital tax estimates for the year. The sum is multiplied by the reimbursement rate set for the current year to determine the annualized estimated funding. The Municipal Tax Allowance submission allows the Ministry to adjust this estimated funding for each home once the final Municipal Property Tax invoices for the current year are available. Where a LHIN has agreed to fund the Municipal Tax Allowance funding for a home, the Ministry on behalf of a LHIN, will request the submission of the Municipal Tax Allowance application and, following a review of the

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<sup>11</sup> Veteran has the same meaning as defined in Section 7 of O. Reg 79/10 of the *Long-Term Care Homes Act, 2007*.

<sup>12</sup> Ibid.

application, advise each LHIN of the estimated Municipal Tax Allowance funding for each home for which the LHIN has agreed to provide the funding.

## Annual Process

- i. In January of each year, the Ministry or the Ministry on behalf of a LHIN, where a LHIN has agreed to fund the Municipal Tax Allowance, will estimate funding for the Municipal Tax Allowance for eligible licensees based on the previous year's Municipal Tax Allowance Application. Licensees will receive monthly cash advances against their future eligible municipal taxes and capital taxes based on the applicable reimbursement rate multiplied by the previous year's actual municipal tax assessed and paid plus their estimated capital taxes. Eligible new licensees will be cash-flowed an estimated per diem<sup>13</sup> which is subject to adjustment upon submission of the current year's Municipal Tax Allowance Application.
- ii. At a time specified by the Ministry during each calendar year, licensees will be required to submit an application for the Municipal Tax Allowance together with documentation to support their claim as outlined in the *LTCH Municipal Tax Allowance Policy* and Municipal Tax Allowance application instructions.
- iii. Ministry staff, on behalf of the Ministry or a LHIN, will review the application and required documentation, and calculate the eligible allowance for the twelve-month period for each home based on the reimbursement rate in accordance with the report submission instructions for the period under consideration. During the review of the Municipal Tax Allowance submission, licensees may receive requests for additional information or clarification to ensure funding is provided at appropriate levels.
- iv. Ministry staff, on behalf of the Ministry or a LHIN, will compare the eligible amount of the Municipal Tax Allowance with the amount cash flowed for the same twelve-month period from the Monthly Payment Calculation Notice to determine any adjustment to cash flow. If a licensee received an amount exceeding the amount determined in accordance with (iii), the difference will be recovered from the licensee by the Ministry, or by a LHIN, if a LHIN has agreed to provide funding for the Municipal Tax Allowance for a home. If a licensee received less than the amount determined in accordance with (iii), the difference will be paid to the licensee by the Ministry, or by a LHIN, if a LHIN has agreed to provide funding for the Municipal Tax Allowance for a home. Unless otherwise specified in the application instructions, adjustments to cash flow will be made in December of the current year.
- v. The final verification of the Municipal Tax Allowance funding will take place at the time of the Long-Term Care Home Annual Report reconciliation. The final Municipal Tax Allowance funding will equal the applicable reimbursement rate multiplied by the lesser of: the sum of the actual eligible Municipal Tax and Capital Tax assessed and paid as reported on the audited Long-Term Care Home Annual Report, or the eligible Municipal Tax and Capital Tax amounts reported on the Municipal Tax Allowance application submission.

### **2.2.2 In-Year Reconciliation of Funding for Revenue and Occupancy**

As outlined in the *LTCH Cash Flow Policy*, the Level of Care Per Diem funding provided by a LHIN each month is an estimate that may be adjusted for occupancy rates<sup>14</sup>, and an estimated Resident Co-Payment Revenue component.

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<sup>13</sup> The Ministry will determine the applicable estimated per diem for the Municipal Tax Allowance for eligible new licensees.

<sup>14</sup> Licensees are cash-flowed 100% of their estimated Level of Care Per Diem funding if the licensee achieved greater than 80% occupancy (excluding Convalescent Care Beds and Interim Short Stay Beds) on the most recent In-Year Revenue/Occupancy report, or actual occupancy plus 10% if the licensee achieved 80% or less actual occupancy (excluding Convalescent Care Beds and Interim Short Stay Beds) based on the most recent Revenue/Occupancy report. Please see the *LTCH Cash Flow Policy* and *LTCH Occupancy Targets Policy* for further information.

The In-Year Revenue/Occupancy Report allows the LHINs to determine if an adjustment to cash flow is required based on revised estimated funding for a licensee as it relates to actual resident revenue charged and actual occupancy rates achieved for the period January to September of each calendar year.

#### Annual Process

- i. At a time specified in Schedule D of the L-SAA during each calendar year and in accordance with the report submission instructions, licensees are required to report the Actual Resident Days by Accommodation Type and the actual Resident Co-Payment Revenue charged by Accommodation Type for the periods defined in the In-Year Revenue/Occupancy Report submission instructions.
- ii. The actual Resident Co-Payment Revenue reported will be compared to the sum of the estimated Resident Co-Payment Revenue as stated on the Monthly Payment Calculation Notices for the same period. If the actual Resident Co-Payment Revenue exceeds the estimated Resident Co-Payment Revenue, the difference is recovered from the licensee by a LHIN. If the actual Resident Co-Payment Revenue is less than the estimated Resident Co-Payment Revenue, the difference is paid to the licensee by a LHIN.
- iii. The monthly Resident Co-payment Revenue Per Diem Rate Estimate as stated on the Monthly Payment Calculation Notices will be adjusted either up or down to more accurately reflect the licensee's current resident revenue per diem. Assuming no further adjustments to the Level of Care Per Diem, if the Resident Co-payment Revenue Per Diem Rate Estimate is adjusted upward, the payments made by a LHIN to a licensee for the difference between the Level of Care Per Diem and the sum of the Resident Co-payment Revenue are reduced. Conversely, if the Resident Co-payment Revenue Per Diem Rate Estimate is adjusted downward, the payments made by a LHIN to a licensee for the difference between the Level of Care Per Diem and the sum of the Resident Co-payment Revenue are increased.
- iv. For those licensees that may achieve the Occupancy Target by December 31 of that same year, based on the reported resident days for the period January 1 through September 30, the new Resident Co-payment Revenue Per Diem Rate Estimate will be calculated as follows:<sup>15</sup>

$$\text{Actual Resident Co-Payment Revenue (basic portion only) / Maximum Resident Days}$$

- v. For those licensees that will not achieve the Occupancy Target by December 31 of that same year, based on the reported resident days for the period January 1 through September 30, the new Resident Co-payment Revenue Per Diem Rate Estimate will be calculated as follows:<sup>16</sup>

$$\text{Actual Resident Co-Payment Revenue (basic portion only) / Actual Resident Days}$$

- vi. For those licensees that will not achieve their Target Long-Stay Resident Days, an adjustment to estimated funding will also be determined based on occupancy. The adjustment will reflect the difference between the Level of Care Per Diem funding cash flowed on the Monthly Payment Calculation Notices and the Level of Care Per Diem funding based on the Actual Resident Days

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<sup>15</sup> In order to determine the most current Resident Co-Payment Revenue Per Diem Rate Estimate, the calculation uses the most recent period for which the co-payment rates have been set. For example, if the co-payment rate changed in July, the formula would be Actual Resident Co-payment Revenue (Jul – Sep) / Maximum Resident Days (Jul – Sep).

<sup>16</sup> In order to determine the most current Resident Co-Payment Revenue Per Diem Rate Estimate, the calculation uses the most recent period for which the co-payment rates have been set. For example, if the co-payment rate changed in July, the formula would be Actual Resident Co-payment Revenue (Jul – Sep) / Actual Resident Days (Jul – Sep).

as reported on the In-Year Revenue/Occupancy report, plus, where applicable, Maximum Short-Stay Respite Care Days plus approved credited days due to outbreak<sup>17</sup>

- vii. Low Occupancy Homes that achieved an average occupancy of 80% or below their Target Long-Stay Resident Days based on the most recent In-Year Revenue/Occupancy Report will have their future monthly Level of Care Per Diem funding adjusted by an Occupancy Factor. The Occupancy Factor will be the home's actual occupancy, excluding Convalescent Care Beds and Interim Short Stay Beds, plus 10%. Please refer to the *LTCH Cash Flow Policy* for further details.
- viii. If licensees fail to submit the requested In-Year Revenue/Occupancy Report by the required deadline, adjustments will be made based on estimates from other sources. In addition, penalties for late filing or failure to file the requested report may also apply.
- ix. During the review of the In-Year Revenue/Occupancy Report, licensees may receive requests for additional information or clarification to ensure funding is provided at appropriate levels.
- x. If it is determined that a variance exists between the estimated funding based on the In-Year Revenue/Occupancy Report and the funding paid to a licensee for the same period, the LHIN will initiate recoveries or payments in accordance with Section 2.4.
- xi. As determined by the Ministry on behalf of a LHIN, only those licensees who will fail to achieve their Target Long-Stay Resident Days, based on the year-to-date information provided in the In-Year Revenue/Occupancy Report, will be notified in writing of their respective recovery and/or payment schedules and adjustments to future cash flow payments.

### **2.2.3 In-Year Reconciliation of Funding Based on ad hoc Information and Reports**

The LHIN and Ministry may reconcile funding they provide in-year based on other available information. To this end, the LHIN and Ministry may request ad hoc reports and/or additional information from a licensee in order to ensure funding is provided at appropriate levels as provided for in the L-SAA and/or a direct funding agreement between the Minister and a licensee.

Ad hoc reports may take the form of surveys, studies, financial reports or other types of information depending on the need. Licensees will be provided with instructions and due dates for providing the requested information.

## **2.3 Year-End Reconciliation**

The year-end reconciliation report referred to in section 2.3 of this policy document is the audited Long-Term Care Home Annual Report submission, as in previous years. The "Long-Term Care Home Annual Report Technical Instructions and Guidelines" identifying the period covered by the report and report submission instructions will be provided to all licensees prior to the report due date.

### **2.3.1 Year-End Reconciliation of Funding - Long-Term Care Home Annual Report**

All licensees will be required to submit audited Long-Term Care Home Annual Reports as required by Schedule D of the L-SAA and by direct funding agreements between the Minister and a licensee. This is the Report contemplated by clause 3(1)(a) of O. Reg 79/10 under the *Long-Term Care Homes Act 2007* when it comes into force on July 1, 2010..

Whereas the LHIN must reconcile funding they have paid to a licensee, and the Ministry must reconcile funding they have paid to a licensee, in order to avoid duplicative processes for reconciling the calendar-year funding, the Ministry on behalf of the LHINs, will reconcile the LHIN and Ministry funding together through the Long-Term Care Home Annual Report reconciliation. The Long-Term Care Annual Report reconciliation process, as outlined below, will allow the LHINs and Ministry to determine the Final

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<sup>17</sup> For further information on Short-Stay Respite Care Beds, please refer to the *LTCH Occupancy Targets Policy*. For information on reporting requirements for outbreak days, please refer to the *LTCH Funding Policy for Suspension of Admissions due to Outbreaks*.

Settlement Amount for each licensee's home for the twelve-month period specified in the "Long-Term Care Home Annual Report Technical Instructions and Guidelines". The Final Settlement Amount will take into consideration the actual occupancy, the actual resident co-payment revenue charged, and the actual eligible expenditures as reported in the audited Long-Term Care Home Annual Report, subject to adjustments as provided for in this Policy document, to determine the Allowable Subsidy. The Allowable Subsidy is compared to the sum of the Estimated Total Subsidy advanced as monthly cash flows for the same twelve-month period, plus or minus any adjustments that apply to that same twelve-month period but which may have occurred before or after the same twelve-month period, to determine the Final Settlement Amount.

For the purpose of determining the licensee's Occupancy Targets on which the Level of Care Per Diem funding component will be calculated and reconciled, licensees will be provided a Subsidy Calculation Worksheet prior to the request for submission of the licensee's audited Long-Term Care Home Annual Report. The Subsidy Calculation Worksheet will confirm the licensee's Maximum Resident Days (operating capacity) and Target Resident Days (occupancy target), taking into consideration the Occupancy Targets applicable for Long-Stay, Short-Stay Respite, Convalescent Care and Interim Short-Stay beds, for the 12-month period on which the Level of Care Per Diem funding calculations, and, if applicable, Additional Subsidy, will be based and reconciled.<sup>18</sup>

#### Annual Process

- i. Licensees will be required to submit an audited Long-Term Care Home Annual Report for a defined twelve-month period in accordance with the form and manner set out in the "Long-Term Care Home Annual Report Technical Instructions and Guidelines" in effect for the period being submitted, together with the required auditor's statements and Resident Trust Account Audit by the requested due date.
- ii. Special reconciliation rules in addition to those set out in this policy document may apply. For further information consult the funding policy as it applies to each of the Non-Level of Care Funding<sup>19</sup> as outlined in the licensee's L-SAA and/or a direct funding agreement between the Minister and a licensee and the *LTCH Level of Care Per Diem Funding*.
- iii. Prior to submission, licensees will be required to:
  - a) assess the eligibility of expenditures submitted on their Long-Term Care Home Annual Report in accordance with the Eligible Expenditures Framework in effect for the period under consideration together with the Envelope Definitions outlined in the *Eligible Expenditures for LTC Homes Policy* and *LTCH Level of Care Per Diem Funding Policy*,
  - b) demonstrate that the conditions of funding and use of funding requirements as outlined in the L-SAA, a direct funding agreement between the Minister and a licensee, the applicable Policies and report submission instructions have been met,
  - c) ensure that revenues and expenditures reported in the Long-Term Care Home Annual Report relate only to the operation of the licensee's licensed beds, and exclude any revenues or expenditures for funded programs that are expressly excluded from the Long-Term Care Home Annual Report in accordance with the "Long-Term Care Home Annual Report Technical Instructions and Guidelines" in effect for the period being submitted,
  - d) ensure that Inadmissible Expenditures as specified in the *Eligible Expenditures for LTC Homes Policy* and the "Long-Term Care Home Annual Report Technical Instructions and Guidelines" have not been included in the Long-Term Care Home Annual Report submission,
  - e) have a Licensed Public Accountant conduct an audit of the Long-Term Care Home Annual Report. The scope of the audit shall be in accordance with the requirements as set out in the "Long-Term Care Home Annual Report Technical Instructions and Guidelines" in effect for the period being submitted. In addition, the auditor will be required to attest that the audit was conducted in accordance with generally accepted

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<sup>18</sup> For further information on occupancy target calculations, please refer to the *LTCH Occupancy Targets Policy*, the *Convalescent Care Program* and the "Long-Term Care Home Subsidy Calculation Worksheet Technical Instructions and Guidelines".

<sup>19</sup> For a comprehensive list of Non-Level of Care Funding policies, please refer to section 3.1 of this policy document. In addition, licensees may refer to their L-SAA and/or direct funding agreements between the Minister and a licensee for further information.

auditing standards, and set out an opinion as to the revenues, expenditures and accrual information contained in the Long-Term Care Home Annual Report. Auditors are required to certify that expenditures that relate to funded programs that are expressly excluded from the Long-Term Care Home Annual Report in accordance with Section 2.3.1 (iii) c) and (iv) have not been included in the Long-Term Care Home Annual Report. The Long-Term Care Home Annual Report must be signed and dated by the auditor in the designated "Auditor's Report" section of the Long-Term Care Home Annual Report in accordance with the "Long-Term Care Home Annual Report Technical Instructions and Guidelines",

- f) have a Licensed Public Accountant conduct an annual audit of the home's Trust Account. A copy of the auditor's statement must be provided with the Long-Term Care Home Annual Report submission in "Appendix A" of the "Auditor's Report". If no Trust Account exists for the home, that information must also be included with the submission; and
  - g) A person who has the authority to bind the licensee must sign and date the "Operator's Statement and Approval" contained in the Long-Term Care Home Annual Report to attest that the information contained in the Long-Term Care Home Annual Report was completed in accordance with the "Long-Term Care Home Annual Report Technical Instructions and Guidelines" in effect for the period being submitted, that acceptable systems of internal accounting control are in place for the licensee and that the information contained in the report is in accordance with the L-SAA, any direct funding agreement between the Minister and the licensee and/or the applicable policies as they relate to the funding provided to the home for the period being submitted. In addition, the licensee must attest that the Long-Term Care Home Annual Report was prepared in accordance with the basis or bases of accounting described in the "Notes to the Report".
- iv. Licensees who are awarded new long-term care beds or who are redeveloping their Category "D" homes shall maintain a separate set of accounting records for revenues and expenditures associated with the development of each capital project. The review and reconciliation of expenditures relating to funding for Construction Costs for these projects will be done in a separate exercise.
- v. Licensees with licensed Convalescent Care Beds will be required to report expenditures relating to their licensed Convalescent Care Beds separate from their other licensed beds on the audited Long-Term Care Home Annual Report submission.
- vi. The Long-Term Care Home Annual Report submission will be reviewed by Ministry staff on behalf of the LHINs and the Ministry for the period under consideration, and may be subject to applicable adjustments, including:
- a) adjustments based on actual basic Resident Co-payment Revenue charged as compared to estimated basic Resident Co-payment Revenue as stated on the licensee's Monthly Payment Calculation Notices;
  - b) reallocations of preferred revenue to basic revenue where licensees fail to report an amount that approximates the maximum basic per diem revenue on preferred accommodation beds;
  - c) reallocation of preferred revenue to basic revenue where licensees charge in excess of the legislated preferred rates for preferred accommodation beds;
  - d) adjustments based on actual occupancy levels;
  - e) adjustments based on actual expenditures;
  - f) adjustments based on the lesser of the eligible amounts reported on the Municipal Tax Allowance application or the actual eligible amounts of Municipal and Capital taxes assessed and paid as reported on the Long-Term Care Home Annual Report;
  - g) adjustments based on the total new or replacement equipment purchases from the Nursing and Personal Care and/or Program and Support Services envelopes if they exceed the \$400 per bed limit;<sup>20</sup>
  - h) adjustments based on expenditures reported as Medical Director Fees where licensees that meet their Occupancy Targets may pay and expense up to an amount equal to \$0.30 per resident day based on their Maximum Resident Days in the NPC envelope. Licensees that fail to achieve their Occupancy Targets may pay and expense up to an amount equal to \$0.30 per Actual Resident Day in their NPC envelope. Separate

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<sup>20</sup> For further information, please refer to the *LTCH Furnishings and Equipment Management Policy*.

calculations apply to Convalescent Care beds where licensees must achieve their Target Convalescent Care Resident Days to pay and expense an amount equal to \$.30 per resident day based on Maximum Resident Days for Convalescent Care beds in the NPC envelope. If the licensee does not achieve their Target Convalescent Care Resident Days, the maximum expenditure for Medical Director Fees in the NPC envelope for Convalescent Care beds is limited to an amount equal to \$.30 per actual Convalescent Care Resident Day. Under-expenditures of Medical Director Fees in the NPC envelope will be recovered based on the difference between the maximum allowable expense and the actual expense. Costs incurred and expensed in excess of the maximum allowable expenditure will be transferred to the Other Accommodation envelope;

- i) adjustments based on expenditures reported as Incontinence Supplies where licensees that meet their Occupancy Targets are limited to a maximum expenditure up to an amount equal to \$1.20 per resident day based on their Maximum Resident Days in the NPC envelope. Licensees that fail to achieve their Occupancy Targets are limited to a maximum expense up to an amount equal to \$1.20 per Actual Resident Day in their NPC envelope. Separate calculations apply to Convalescent Care beds where licensees must achieve their Target Convalescent Care Resident Days to expense an amount equal to \$1.20 per resident day based on Maximum Resident Days for Convalescent Care beds in the NPC envelope. If the licensee does not achieve their Target Convalescent Care Resident Days, the maximum expenditure for Incontinence Supplies in the NPC envelope for Convalescent Care beds is limited to an amount equal to \$1.20 per actual Convalescent Care Resident Day. Costs incurred and expensed in excess of the maximum allowable expenditure will be transferred to the Other Accommodation envelope;
- j) adjustments based on the expenditures reported as Physician On Call expenditures where the licensee may pay and expense in the NPC envelope up to the maximum allowable funding of \$10,000 for licensees with fewer than 100 beds, or \$100 per bed per year to a maximum of \$30,000 for licensees with equal to or greater than 100 beds. Where a licensee fails to expense the maximum allowable expenditure in the NPC envelope, the difference between the Physician On Call funding and the actual expenditure will be recovered. Costs incurred and expensed in excess of the maximum allowable expenditure will be transferred to the Other Accommodation envelope;
- k) adjustments based on the expenditures reported as Registered Practical Nurse expenditures where the licensee may pay and expense in the NPC envelope up to the maximum allowable funding.<sup>21</sup> Where a licensee fails to expense the maximum allowable expenditure in the NPC envelope, the difference between the Registered Practical Nurse funding and the actual expenditure will be recovered. Costs incurred and expensed in excess of the maximum allowable expenditure will be transferred to the Other Accommodation envelope. Separate calculations apply to Convalescent Care Beds. Funding will be prorated according to the total actual expenditures by bed category, up to the maximum allowable funding;
- l) adjustments based on reasonability, eligibility and/or admissibility of expenditures in accordance with the Eligible Expenditures Guidelines in effect for the period under consideration and the Envelope Definitions outlined in the *Eligible Expenditures for LTC Homes Policy*, the “Long-Term Care Home Annual Report Technical Instructions and Guidelines” and the *LTCH Level of Care Per Diem Funding Policy*;
- m) adjustments based on extraordinary non-arms length charges above fair market value or normal business practices;
- n) adjustments based on the terms and conditions of funding and use of funding requirements as outlined in the L-SAA, any direct funding agreement between the Minister and a licensee, the applicable policies and report submission instructions;<sup>22</sup>
- o) adjustments based on estimates from other sources as a result of licensees failing to submit the requested reports; or
- p) penalties where applicable.

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<sup>21</sup> Please refer to the *Registered Practical Nurses in Long-Term Care Homes Initiative Funding Policy* for further information on the terms and conditions of funding and funding calculations.

<sup>22</sup> Please refer to the applicable Non-Level of Care Funding policies, the *LTCH Level of Care Per Diem Funding Policy* and the “Long-Term Care Home Annual Report Technical Instructions and Guidelines” for information on special terms and conditions of funding.

- vii. The Level of Care Per Diem funding may be adjusted based on actual occupancy through the Long-Term Care Home Annual Report reconciliation process.<sup>23</sup> If the licensee achieved their Occupancy Targets, excluding Convalescent Care Beds, as specified on their Subsidy Calculation Worksheet, the Level of Care Per Diem funding will be based on their Maximum Resident Days. However, licensees that fail to meet their Occupancy Targets, excluding Convalescent Care Beds, will have the Level of Care Per Diem funding adjusted to actual occupancy. The Actual Resident Days, excluding Convalescent Care Beds, as reported on the Long-Term Care Home Annual Report will be compared to the target calculations, excluding Convalescent Care Beds, as stated on the licensee's Subsidy Calculation Worksheet to determine if a licensee has achieved their Occupancy Target.<sup>24</sup>
- viii. For licensed Convalescent Care Beds, in addition to receiving the Base Level of Care Per Diem funding at Maximum Convalescent Care Resident Days<sup>25</sup>, licensees who achieve actual occupancy of equal to or greater than 80% on their licensed Convalescent Care Beds will retain 100% of the Additional Subsidy. Licensees who achieve actual occupancy below 80% on their licensed Convalescent Care Beds will have their Additional Subsidy adjusted to actual Convalescent Care Bed Resident Days. The actual Convalescent Care Resident Days as reported on the Long-Term Care Home Annual Report will be compared to the Target Convalescent Care Resident Days as stated on the licensee's Subsidy Calculation Worksheet to determine if a licensee has achieved their Convalescent Care Bed's occupancy target.<sup>26</sup>
- ix. The Level of Care Per Diem funding for each envelope, as ascertained in accordance with Section 2.3.1 (vii) above, is added to the applicable Non-Level of Care Funding allocated by envelope.<sup>27</sup> The sum of the Level of Care Per Diem funding and Non-Level of Care Funding by envelope represents the Approved Expenditures by envelope. Level of Care Per Diem funding for Convalescent Care Beds will be calculated in accordance with Section 2.3.1 (viii). Subject to the terms and conditions of funding, Non-Level of Care Funding as applicable to Convalescent Care Beds will be either: prorated by envelope based on the percentage of Convalescent Care Beds as compared to the total Licensed Beds, or where applicable, Non-Level of Care Funding will be allocated based on total actual expenditures by bed category, up to the maximum allowable funding.<sup>28</sup> The Level of Care Per Diem funding by envelope for Convalescent Care Beds will be added to the Non-Level of Care Funding by envelope for Convalescent Care Beds to determine the Approved Expenditures by envelope for Convalescent Care Beds.
- x. The Approved Expenditures by envelope are compared to the Allowable Expenditures by envelope as determined following a review by Ministry staff on behalf of a LHIN and the Ministry. Separate calculations apply to Convalescent Care beds whereby the Approved Expenditures by envelope for Convalescent Care Beds are compared to the Allowable Expenditures by envelope for Convalescent Care Beds as determined following a review by Ministry staff on behalf of a LHIN and the Ministry. To determine the Allowable Expenditures, Ministry staff on behalf of a LHIN and the Ministry will review the expenditures for each envelope as reported on the licensee's Long-Term Care Home Annual Report submission and, if applicable, adjust expenditures in accordance with Section 2.3.1 (vi) (d) through (n). The eligibility of expenditures for each of the envelopes will be subject to the assessment criteria in accordance with the *Eligible Expenditures for LTC Homes Policy* and *LTCH Level of Care Per Diem Funding Policy*.

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<sup>23</sup> Please refer to the *LTCH Cash Flow Policy* and *LTCH Occupancy Targets Policy* for further information, in addition to Section 2.2.4 of this policy document.

<sup>24</sup> Beds funded under the Occupancy Reduction Program will be funded their Level of Care Per Diem funding as per the terms and conditions of funding in accordance with the *LTCH Non-Capital Occupancy Reduction Protection Guidelines* or the *Policy for Funding Construction Costs of Long-Term Care Homes, Part 4 Occupancy Reduction Protection* as applicable.

<sup>25</sup> Ibid.

<sup>26</sup> For further information on Occupancy Target calculations, please refer to the *LTCH Occupancy Targets Policy* and the "Long-Term Care Home Subsidy Calculation Worksheet Technical Instructions and Guidelines".

<sup>27</sup> The Non-Level of Care Funding allocated by envelope will be defined in the terms and conditions of funding of the L-SAA and/or any direct funding agreement between the Minister and a licensee and/or other Policy documents and/or other reconciliation reports informed by those same agreements and/or Policy documents.

<sup>28</sup> Please refer to the Non-Level of Care Funding policy and/or direct funding agreement for further information on determining how funding will be split between Convalescent Care beds as compared to total Licensed Beds and applied according to the envelope..

- xi. The licensee may be contacted and a request may be made for the provision of additional information or clarification if:
  - (a) variances exist between revenues and/or expenditures reported on previous report submissions as compared to the current Annual Report submission, or,
  - (b) further information is required in order to determine the reasonability, eligibility or admissibility of expenditures reported on the current Annual Report.

If a licensee fails to provide an explanation or the requested information by the required due date as stated in the request for additional information, the reconciliation will be finalized and adjustments to cash flow may be made in accordance with Section 2.3.1 (vi) (a) through (p).

- xii. Following a determination of the Allowable Expenditures for each of the three recoverable envelopes, which are Nursing and Personal Care, Program and Support Services and Raw Food, the Allowable Expenditures by envelope is compared to the Approved Expenditures by envelope to determine the Eligible Expenditures by envelope. The Eligible Expenditures represents the lesser of the Approved Expenditures or the Allowable Expenditures for each of the three recoverable envelopes. For the Other Accommodation Envelope, the Approved Expenditures will equal the Eligible Expenditures.<sup>29</sup> For Convalescent Care Beds, following a determination of the Allowable Expenditures for each of the three recoverable envelopes, which are Nursing and Personal Care, Program and Support Services and Raw Food, the Allowable Expenditures by envelope for Convalescent Care Beds is compared to the Approved Expenditures by envelope for Convalescent Care Beds to determine the Eligible Expenditures by envelope for Convalescent Care Beds. The Eligible Expenditures for Convalescent Care Beds represents the lesser of the Approved Expenditures for Convalescent Care Beds or the Allowable Expenditures for Convalescent Care Beds for each of the three recoverable envelopes. For the Other Accommodation Envelope, the Approved Expenditures for Convalescent Care Beds will equal the Eligible Expenditures for Convalescent Care Beds.<sup>30</sup> A surplus in the Nursing and Personal Care, Program and Support Services and Raw Food envelopes is recovered and repayable to the Ministry. Additional funding is not provided to offset deficits. The licensee may retain surpluses in the Other Accommodation envelope.<sup>31</sup> The funding provided within each envelope is allocated for expenditures that are eligible within the definition of that envelope. Funding is not transferrable from one envelope to the other, and surpluses in one envelope may not be used to offset deficits in another, with the exception of funds from the Other Accommodation envelope, which may be used for purchases in any envelope and do not require prior approval.<sup>32</sup> Funding is provided to each licensee's home for the sole use of that home and therefore, funding may not be transferred from one licensee's home to another home owned, operated or managed by the same licensee, from one licensee's home to any other home, or from one licensee to any other licensee.

Despite the rule that a surplus in the Nursing and Personal Care, Program and Support Services and Raw Food envelopes is recovered and repayable to the Ministry, for the period January 1, 2011 to December 31, 2011, unused funding for convalescent care beds in the NPC and PSS envelopes, may be carried forward and reconciled as part of the 2012 overall reconciliation as follows:

- (a) The unused funding that may be carried forward to 2012 (Unused Funding) shall be:
  - (i) for the NPC envelope, the lesser of
    1. the difference between the Approved Expenditure and the Allowable Expenditure; and
    2. \$5.56 x the number of convalescent care resident days approved to be funded for the period April 1, 2011 to December 31, 2011 in accordance with the occupancy target for convalescent care beds set out in the LTCH Occupancy Targets Policy;
  - (ii) for the PSS envelope, the lesser of

<sup>29</sup> Special restrictions and conditions apply to licensees in receipt of Red Circle funding. Please refer to the Appendix to the *LTCH Recovery and Reconciliation Policy* for further information.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

1. the difference between the Approved Expenditure and the Allowable Expenditure; and
  2. \$2.39 x the number of convalescent care resident days approved to be funded for the period April 1, 2011 to December 31, 2011 in accordance with the occupancy target for the convalescent care beds set out in the LTCH Occupancy Targets Policy.
- (b) Unused Funding shall be determined by the Ministry on behalf of the LHINs and the Ministry through the 2011 overall reconciliation,
- (c) All Unused Funding carried forward to 2012 must be spent by March 31, 2012 and shall be applied against eligible expenses under the NPC and PSS envelopes for convalescent care beds.
- xiii. Non-Level of Care Funding that is not allocated among envelopes as outlined in the licensee's L-SAA and/or the direct funding agreements between the Minister and a licensee and/or applicable Policy documents, will be added to the sum of the Eligible Expenditures of the four envelopes. The result is the Total Eligible Expenditures.
- xiv. In order to determine the Allowable Subsidy, the Total Recoverable Revenue is deducted from the Total Eligible Expenditures. The Total Recoverable Revenue consists of the sum of the actual Resident Co-Payment Revenue charged,<sup>33</sup> the Other Recoverable Revenue<sup>34</sup> and the Bad Debt Adjustment<sup>35</sup> from the Long-Term Care Home Annual Report submission, subject to review and verification. The actual Resident Co-Payment Revenue may be subject to adjustments in accordance with Section 2.3.1 (vi) (b) and (c).
- xv. The Allowable Subsidy is then compared to the cash flow advanced as monthly payments for the period, plus or minus adjustments that apply to that same twelve-month period but which may have occurred before or after the same twelve-month period, to determine the Final Settlement Amount. Cash flow that is greater than the Allowable Subsidy results in a recovery from the licensee. Cash flow that is less than the Allowable Subsidy results in a payment to the licensee.
- xvi. Following the determination of the Final Settlement Amount, the Ministry will provide written notification to each LHIN identifying the respective licensees within their LHIN for which the Long-Term Care Home Annual Report reconciliation process has been completed, together with a list of the recoveries and/or payments due from/to each licensee for the twelve-month period under review. The LHIN will be required to review this list and approve the recovery and/or payment for each licensee. The signed report will then be returned to the Ministry and the recoveries and/or payments to the licensees will be processed.
- xvii. Each licensee will be notified in writing of their Final Settlement Amount for the twelve-month period under review. The notification will include the timeline to recover and/or make payment of the Final Settlement Amount, and the required adjustments to future payment notices. If applicable, recoveries to the Crown may be in the form of a lump sum payment in full by bank draft payable to the Minister of Finance. An Overall Reconciliation Report will accompany the notification to the licensee.
- xviii. Licensees will have an opportunity to identify errors and omissions and to provide revised information to their Long-Term Care Home Annual Report submissions for a period of sixty (60) days from the date of the notification letter identified in Section 2.3.1 (xvii) by the LHINs and/or Ministry. The LHINs and/or Ministry may require the licensee to provide more information, as applicable and as determined by the LHINs and/or Ministry. Requests for revisions that are received after the 60<sup>th</sup> day will not be accepted, nor will subsequent requests for revision to the Annual Report where a second notification letter identified in Section 2.3.1 (xvii) has been

<sup>33</sup> The actual total Resident Revenue charged includes Prior Period Revenues for basic accommodation charges collected in the current period. Please refer to the "Long-Term Care Home Annual Report Technical Instructions and Guidelines" for information on reporting Prior Period Revenues.

<sup>34</sup> For further information on the types of revenues to be reported as Other Recoverable Revenue, please refer to the *LTCH Furnishings and Equipment Management Policy*, the "Long-Term Care Home Annual Report Technical Instructions and Guidelines" in effect for the period under review, the L-SAA and the direct funding agreements between the Minister and a licensee.

<sup>35</sup> For further information on Bad Debt Adjustments, please refer to the *LTCH Bad Debt Reimbursement Policy*.

provided to a licensee. The second notification letter will be the final notification letter provided to a licensee and further revisions will not be accepted.

- xix The requirements, terms and conditions as they pertained to the original submission of the Long-Term Care Home Annual Report remain in effect for any revisions made to the Long-Term Care Home Annual Report. For further clarity, revised auditor's statements identifying adjustments to the Long-Term Care Home Annual Report must accompany any revisions to a Long-Term Care Home Annual Report, as an auditor's statement is a requirement of the original submission.

## **2.4 Recoveries and Payments**

If upon completion of an in-year or year-end reconciliation of funding, it is determined that an adjustment to a licensee's cash flow is warranted, monies will be recovered and/or paid based on a schedule. The schedule as outlined below will not be limited by the cumulative total of all recoveries. Rather, the schedule of recoveries shall apply to each in-year or year-end recovery independently. The recovery schedule as stated below will be utilized:

- a. \$50,000 or less to be recovered in one month,
- b. \$50,001 to \$200,000 to be recovered between one to three months,
- c. \$200,001 to \$1,000,000 to be recovered between three and six months, and
- d. greater than \$1,000,000 to be recovered between six and nine months.

Payments in full will be made at the earliest possible date.

Recoveries for licensees with 50 beds or less will be tailored based on their cash flow.

## **3.1 References to Other Policy Documents and Technical Instructions and Guidelines**

For further information, please refer to:

Policy –

Beds in Abeyance Policy

Convalescent Care Program

Eligible Expenditures for LTC Homes Policy

Fill Rate Guidelines for New and Redeveloped/Retrofitted "D" Long-Term Care Facilities

Guide for Rate Reductions

LTCH Bad Debt Reimbursement Policy

LTCH Cash Flow Policy

LTCH Fill Rate Guidelines for New Interim LTC Beds

LTCH Funding Policy for Suspension of Admissions due to Outbreaks

LTCH Furnishings and Equipment Management Policy

LTCH Level of Care Per Diem Funding Policy

LTCH Level of Care Per Diem Funding Summary

LTCH Municipal Tax Allowance Policy

LTCH Non-Capital Occupancy Reduction Protection Guidelines

LTCH Occupancy Targets Policy

Policy for Funding Construction Costs of Long-Term Care Homes

Registered Practical Nurses in Long-Term Care Homes Initiative Funding Policy

Technical Instructions and Guidelines<sup>36</sup> -

Manual for Awardees/Operators in the Preparation for Occupancy

Municipal Tax Allowance Application Instructions

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<sup>36</sup> Report submission instructions and technical instructions and guidelines are issued annually. Consult the applicable document in effect for the period for which the report data is being submitted and reviewed.

In-Year Revenue/Occupancy Report Submission Instructions  
Long-Term Care Home Annual Report Technical Instructions and Guidelines  
Long-Term Care Home Subsidy Calculation Worksheet Technical Instructions and Guidelines