

Construction Funding Subsidy Policy for Long- Term Care Homes, 2015

Ministry of Health and Long-Term Care

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Ministry of Health and Long-Term Care

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Construction Funding Subsidy Policy for Long-Term Care Homes, 2015

Executive Summary*

The Ministry of Health and Long-Term Care (the Ministry) provides a Long-Term Care (LTC) Construction Funding Subsidy (CFS) on a per bed per day basis (per diem), to support the costs of developing or redeveloping an eligible LTC home subject to all applicable requirements.

- A CFS per diem will be provided if the Eligible Operator (as defined in the Policy) has met the following conditions:has met all eligibility requirements;
- development/redevelopment application has received Ministry approval;
- operator has signed a Development Agreement (DA) with the Ministry;
- successfully completed construction in accordance with the conditions of the DA; including compliance with the specified LTC home design standards;
- has met all conditions of funding set out in DA, including successful completion of pre-occupancy inspection, meeting legislated licensing/approval requirements; and,
- has received Ministry approval for the admission of the first resident.

The following chart provides a comparison between maximum per diem funding under the *Policy for Funding Costs of Long-Term Care Homes, 2009* that applied to Phase 1 of the Long-Term Care Home Renewal Strategy and maximum per diem funding under the *Construction Funding Subsidy (CFS) Policy for Long-Term Care Homes, 2015*.

CFS Per Diem Components	Policy for Funding Construction Costs of Long-Term Care Homes, 2009	Construction Funding Subsidy Policy for Long-Term Care Homes, 2015
Base CFS Per Diem	\$13.30	\$16.65
Home Size	•Small (up to 64 Beds) - add \$1.50	•Small (up to 96 beds) - add \$1.50
	•Medium (65-99 Beds) - add \$0.75	•Medium (97 -160 beds) - add \$0.75
	•Large (100+ Beds) - \$0.00	•Large (161 beds and over) - \$0.00
Leadership in Energy and Environmental Design (LEED)	•LEED Certification not met - minus \$1.00	•LEED Certification not mandatory
	•LEED Certification (minimum requirement)	•LEED Silver - add \$1.00
	•LEED Silver - add \$1.00	
Ratio of Basic Accommodation	•Ratio of basic accommodation over 40% up to and including 60% - add \$2.50 (prorated)	•Ratio of basic accommodation over 40% up to and including 60% - add \$3.50 (prorated)
Enhanced Transition Support	n/a – claims-based process, not part of CFS	• Add \$0.38
Maximum CFS Per Diem	•\$18.30	•\$23.03
Planning Grant for Not-for-profit Homes (one-time basis)	•\$250,000	•\$250,000
Minimum Cost Threshold (per bed)	•\$120,000	•\$120,000
Design Variance Standards	•Retrofit Provisions allowed for flexibility in the design standards with associated deductions in the CFS Per Diem.	•Where variances from design requirements are permitted, applicable reductions from the CFS Per Diem may apply.

**Note: This Executive Summary is for convenience of reference, does not constitute a formal part of the Construction Funding Subsidy Policy for Long-Term Care Homes, 2015, and may be removed from the document containing the Policy. See Policy for detail.*

PART 1 – Introduction

Funding provided under this *Construction Funding Subsidy Policy for Long-Term Care Homes, 2015* (the “Construction Funding Subsidy Policy” or the “Policy”) is intended to help support the costs of developing a new long-term care (LTC) home or redeveloping an existing LTC home participating in an eligible Ministry of Health and Long-Term Care (“Ministry”) LTC home construction program, i.e. a program to which the Ministry has explicitly indicated that this Policy applies.

This Construction Funding Subsidy Policy supports the implementation of the most current design standards for LTC homes, as currently set out in the *Long-Term Care Home Design Manual, 2015* (the “Design Manual”). (The Ministry may update the Design Manual from time to time, and the applicable version of the Design Manual will be specifically identified in the applicable Development Agreement.)

This Policy is subject to applicable law, and applicable Government of Ontario policies. The Ministry reserves the right to provide clarifications of any matter in connection with this Policy that the Ministry determines is unclear.

The Ministry intends to periodically review this Policy to assess its effectiveness in supporting LTC home development or redevelopment to meet the needs of Ontarians.

PART 2 – Eligibility for a Construction Funding Subsidy Per Diem

Under the Construction Funding Subsidy Policy, the Ministry shall provide, directly or through the applicable Local Health Integration Network or (“LHIN”), construction funding to a LTC home Operator if, and only if, the Ministry determines that the Operator meets all eligibility criteria and requirements of an eligible Ministry LTC home construction program and all conditions and requirements of this Policy. In this Policy, unless the context indicates otherwise, “Operator” means a person who operates a LTC home pursuant to a licence under Part VII of the *Long-Term Care Homes Act, 2007 (LTCHA)* or pursuant to an approval under Part VIII of that Act, or a person with whom the Ministry contracts to develop and operate a LTC home, subject to applicable requirements.

Operators accepted by the Ministry into an eligible Ministry LTC home construction program and that have entered into a development agreement with the Ministry that expressly incorporates this Policy (a “Development Agreement”) are eligible for construction funding under this Policy only after the Operator has met all the requirements and conditions for funding set out in the Development Agreement to the satisfaction of the Ministry. An Operator that meets these eligibility requirements and conditions for funding is referred to in this Policy as an “Eligible Operator”.

This Policy does not apply in respect of LTC construction undertaken under development agreements under other Ministry LTC construction funding policies, except where the applicable development agreement has been amended to expressly provide that this Policy will apply.

An Operator may be eligible for LTC home construction funding subsidy under this Policy for:

- **New Construction** – means the construction of a new building, conversion of an existing non-LTC home structure, or replacement of an existing LTC home structure, but does not include a “Renovation”, whether within or outside the existing LTC home building footprint, as defined below.
- **Renovation (within existing building footprint)** – means construction within an existing LTC home building structure and/or construction of additional floors to an existing LTC home building where construction is within the existing LTC home building footprint (i.e. no expansion beyond existing external walls.)
- **Renovation (outside of existing building footprint)** – means where construction of an addition to an existing LTC home building structure expands outside the existing LTC home building footprint (i.e. expansion beyond existing external walls.)

Eligible and Ineligible Costs

Each Eligible Operator that is carrying out only New Construction, as defined above, must demonstrate to the satisfaction of the Ministry that the construction cost of \$120,000 per Bed has been expended by the Eligible Operator in order to receive the maximum applicable Construction Funding Subsidy Per Diem. For the purposes of demonstrating that the threshold per Bed has been expended, eligible costs can include actual cost of construction, furniture, equipment, building permit, municipal development charges, architect fees and other eligible professional fees, and related net taxes, (excluding any tax payments for which the Operator receives or expects to receive a rebate, tax credit, input tax credit or refund), together with the cost of any items declared eligible by the Ministry.

The following costs are ineligible for this purpose: any costs relating to the acquisition of the land or building, demolition of the building, financing, letters of credit, rezoning, audit fees, site survey, insurance, travel and meals, plans and prints, commissioning or bonding, general administrative costs, marketing expenses, or items declared not eligible by the Ministry.

PART 3 – Ministry Funding

I. Components of the Construction Funding Subsidy Per Diem

An Eligible Operator shall be entitled to receive a per diem payment (referred to in this document as the Construction Funding Subsidy (CFS) Per Diem, for each day of operation of an eligible LTC bed constructed under a Development Agreement under this Policy, (a “Bed”) paid by or on behalf of the Ministry to the Operator on a monthly basis for a period of 25 consecutive years, provided that the Operator meets the requirements and conditions set out in this Policy and in the Development Agreement.

The CFS Per Diem is calculated as set out below.

a. Base Amount

The base CFS Per Diem applicable to Eligible Operators under this policy is \$16.65, which is subject to the adjustments identified below.

b. Home Size

For homes with up to and including 160 LTC beds (including all licensed or approved beds in the home, except for beds under a temporary licence or temporary emergency licence), the CFS Per Diem is adjusted by adding the amount set out in the table below, in recognition of the construction cost differentials typical for small and medium sized homes.

Home Size	CFS Per Diem adjustment
Small (up to and including 96 beds)	\$1.50
Medium (97 beds up to and including 160 beds)	\$0.75
Large (161 beds and over)	\$0.00

c. Leadership in Energy and Environmental Design (LEED) Silver

In order to maintain government priorities for supporting Leadership in Energy and Environmental Design (LEED) conditions, the Ministry provides a \$1.00 addition to the base CFS Per Diem as an incentive for Eligible Operators who include additional features for ‘greener’ buildings and achieve LEED Silver certification.

d. Basic Accommodation Premium

An addition of \$3.50 to the base CFS Per Diem is provided to an Eligible Operator that makes a commitment that is set out in the Development Agreement, to designate at least 60% of the long-stay beds in the home as basic accommodation, or a prorated portion of this additional amount for such commitments to designate basic accommodation at a set percentage higher than 40% but lower than 60%.

Where the home includes Beds being redeveloped under this Policy and Beds not being redeveloped under this Policy, then for the purposes of this adjustment, the percentage of long-stay beds being designated for basic accommodation shall be based on the lesser of (a) the percentage of Beds being redeveloped under this Policy being designated as basic accommodation and (b) the percentage of Beds in the home being designated as basic accommodation. Payment of this component of the CFS Per Diem will cease and past payments may be recovered by the Ministry or the LHIN if the Operator ceases to designate the stipulated minimum proportion of basic accommodation.

The following chart shows the addition to the CFS Per Diem for the percentage increase to the ratio from 40% to 60%.

Basic Accommodation Ratio	Per Diem Adjustment
60%	\$3.50
59%	\$3.32
58%	\$3.15
57%	\$2.97
56%	\$2.80
55%	\$2.62
54%	\$2.45
53%	\$2.27
52%	\$2.10
51%	\$1.92
50%	\$1.75
49%	\$1.58
48%	\$1.40
47%	\$1.23
46%	\$1.05
45%	\$0.88
44%	\$0.70
43%	\$0.52
42%	\$0.35
41%	\$0.17
40%	\$0.00

Note: Calculations of the Basic Accommodation Ratio will be rounded to the nearest percentage.

e. Enhanced Transition Support Funding

If the construction approved under the Development Agreement involves redeveloping an existing eligible LTC home or Beds on the same site, the Eligible Operator may be eligible for the Enhanced Transition Support (ETS) addition to the base CFS Per Diem of \$0.38 where the Operator demonstrates to the satisfaction of the Ministry:

- (i) that the Operator has incurred additional operational costs and/or structural costs that were reasonably necessary for maintaining resident safety and comfort during redevelopment,
- (ii) the costs relate to measures that were temporary and unavoidable, and
- (iii) the costs were in accordance with any guidelines that the Ministry may make available from time to time.

In order to demonstrate the above, the Eligible Operator shall submit for the Ministry's review a Project Summary, Drawings, and Operational Plan (that includes a Phasing Plan, where applicable) that confirms the above, and any other information that the Ministry may require.

f. Calculation of the Construction Funding Subsidy Per Diem

The total CFS Per Diem is calculated by the Ministry starting with the base CFS Per Diem and applying the additional adjustment factors in accordance with the provisions set out above (and any applicable Design Variance Reductions – see Section II below).

Components of Construction Funding Subsidy Per Diem	Adjustment Factor
Base CFS Per Diem	\$16.65
Home Size:	
Small (up to and including 96 beds)	\$1.50
Medium (97 beds up to and including 160 beds)	\$0.75
Large (161 beds and over)	\$0.00
LEED Silver	\$1.00
Ratio of Basic Accommodation - Over 40% up to and including 60% (prorated)	\$3.50
Enhanced Transition Support	\$0.38
Potential Maximum CFS Per Diem	\$23.03

Note: The above summary table indicates maximum amounts – actual amounts may be less, in accordance with the provisions of this Policy. For example, where specific variances from design requirements are permitted, applicable reductions from the CFS Per Diem may apply, subject to the Ministry's written decision to waive such reduction(s) in whole or in part. (See

Section II below for further detail.)

II. Design Variance Funding Reduction(s)

Where an Operator is permitted in respect of a project to rely on a standard variance specified in the applicable Design Manual, the amount of the CFS Per Diem in respect of the project is reduced by the applicable amount set out in the Design Manual (of which the 2015 Design Manual list of standard variances and associated reductions are summarized for convenience in the table below), unless the Ministry agrees in writing to waive the reduction in whole or in part.

Design Variances with Funding Reductions		
1	RHA size (up to 40 beds)	\$0.54
2	Split level RHA	\$1.50
3	Bedroom Size	\$0.67
4	Closet Size	\$0.13
5	Lounge / Activity Space per Resident	\$0.39
6	Dining Space per Resident	\$0.39
7	Dining Space at 70%	\$0.39
8	Corridor Widths	\$0.26
9	Percentage Lounge / Activity Space in RHA	\$0.26
10	Outdoor space not provided on each floor or 1 floor of a split RHA	\$0.40
11	5-Foot Turning Circle Radius in Washroom	\$0.25
Total of potential reductions in the CFS Per Diem associated with Design Variances		\$5.18

Note: Variances from applicable design requirements may only be permitted in respect of Renovations (whether within or outside existing building footprint). All variances from applicable design requirements require Ministry approval in writing except for standard variances specified in the 2015 Design Manual in respect of a portion of a Project that is classified as “Renovation (within existing building footprint)”. Applications for variances and/or relief from applicable associated funding reductions shall be in accordance with any instructions provided by the Ministry from time to time.

III. Planning Grants for Non-Profit Homes

For Eligible Operators of non-profit homes only, upon entering into a Development Agreement with the Ministry under this Policy, a one-time grant of \$250,000 is provided to assist in planning and organizing for redevelopment, subject to any additional conditions set out in that Development Agreement. For the purposes of this grant, non-profit homes are LTC homes operated by a non-profit entity as defined in Regulation 79/10, s. 269. Regardless of whether a project involves the consolidation of existing LTC homes or the transfer of licences or beds, (subject to applicable approvals), the planning grant is paid only once and only to the Eligible Operator who enters into a Development Agreement with the Ministry. A Planning Grant under this section may be provided only where no grant of this type has previously been provided to the Operator in respect of the redevelopment of the home, or in respect of any other LTC home at the same location, as determined by the Ministry.

IV. Basic Transition Support

Eligible Operators that have a Development Agreement with the Ministry under this Policy may receive funding of \$300 per Bed/move to cover incidental, non-construction related costs associated with relocating residents and equipment, in accordance with and subject to the Basic Transition Support Guidelines published by the Ministry from time to time (and/or such other policy or guidelines that the Ministry may identify for this purpose).

V. Occupancy Reduction Protection

Eligible Operators that have a Development Agreement with the Ministry under this Policy are eligible to apply for Occupancy Reduction Protection in respect of beds that are temporarily or permanently closed to facilitate construction carried out under the Development Agreement in accordance with and subject to the LTC Homes Capital Projects Occupancy Reduction Protection Guidelines published by the Ministry from time to time (and/or such other policy or guidelines that the Ministry may identify for this purpose).

PART 4 – Ministry Approval Process

a. Terms and Conditions for the Provision of the Construction Funding Subsidy

On approval of the final construction plans for the home, the Ministry will inform the Eligible Operator in writing of the total expected CFS Per Diem, based on those plans. The amount of the CFS Per Diem may be adjusted by the Ministry after completion of the project to reflect any variation from those plans (e.g., decrease in designated basic accommodation ratio, unable to achieve LEED Silver), or any other adjustment contemplated by this Policy, and any such adjustment may be applied by the Ministry or the LHIN retroactively to the time that the construction funding commenced or any time after that as the Ministry determines.

The Ministry shall not be obligated to provide the CFS Per Diem in respect of a project (or a phase thereof where specifically permitted in the Development Agreement) unless the Ministry is satisfied that all the following terms and conditions have been met:

- (a) the project (or phase, where applicable) has been constructed in accordance with the applicable design requirements as specified in the Development Agreement (except as specifically permitted by the Ministry in writing) and in accordance with the plans approved by the Ministry;
- (b) all terms and conditions set out in the Development Agreement have been complied with;
- (c) all requirements and conditions set out in this Construction Funding Subsidy Policy have been complied with;
- (d) the Operator has entered into a Service Accountability Agreement (L-SAA) with the applicable LHIN, in respect of the Beds constructed under the Development Agreement;
- (e) the necessary licence(s) or approval(s) to operate the Beds constructed under the Development Agreement has/have been obtained by the Operator, and is/are continuously maintained;
- (f) a pre-occupancy review has been completed by the Ministry and the Operator has received approval from the Ministry to admit residents to the Beds constructed under the Development Agreement; and
- (g) the first resident has been admitted to one of the Beds constructed by the Operator under the Development Agreement.

b. Use of the Construction Funding Subsidy Per Diem

The CFS Per Diem shall be used by the Operator to support the repayment of any loans or other financing arrangements entered into by the Operator to pay for the construction of the Beds under the Development Agreement, and only after the Operator has fully paid any current amounts owing in respect of such repayments, the Operator may use the remaining amounts for other purposes.

PART 5 – Contingencies that May Affect the Construction Funding Subsidy

Where the home, or any of the Beds, in respect of which the CFS Per Diem is being paid is/are closed for any reason and not replaced (subject to all required approvals) with Beds that meet the same standards, payment of the CFS Per Diem to the Operator shall cease, subject to any agreement to the contrary with the Ministry or the applicable LHIN, whichever is providing payment of the CFS Per Diem.

If Beds are transferred from one Operator to another with all required approvals and the new Operator assumes all obligations of the former Operator relating to the operation of the LTC home Beds constructed under the Development Agreement, or replacement Beds (subject to all required approvals) that meet the same standards, the new Operator shall be entitled to the same CFS Per Diem as the prior Operator, subject to all applicable conditions and requirements.

A LTC home may be placed under receivership, subject to applicable law and agreements, where an Operator is unable to meet its financial obligations. Typically, the receiver in conjunction with a management firm experienced in operating a LTC home continues to operate the home in the name of the existing Operator (subject to approval under the *LTCHA*) until such time as a new Operator (also subject to approval under the *LTCHA*) assumes control of the home. Ministry funding support to the home, including the CFS Per Diem where applicable, continues during the receivership period, as long as the home continues to be operated in the name of the Operator, and the applicable conditions of funding are satisfied, to ensure continuity in the delivery of resident care programs and services.

If a new Operator cannot be found and the receiver seeks to dispose of the LTC home, or convert it to other uses, then in accordance with applicable law, residents shall be relocated to alternative care settings in accordance with their needs and the LTC home shall be closed. In this event, all funding to the home shall cease, including the CFS Per Diem.

The above contingencies, and any others that arise, shall be subject to applicable law.

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