

The Elliott Long-Term Care Residence Report

TO: Committee of Management

DATE: December 6th, 2021

SUBJECT: The Business Case to Support the Application for Increased Long-Term Care Home Redevelopment

EXECUTIVE SUMMARY

Background and Purpose of Report

The Ministry of Long-Term Care (MLTC) recently announced a call to apply for Long-Term Care (LTC) home redevelopment as part of the Government of Ontario's plan for 30,000 new long-term care beds. This recent application became available during the first week of November 2021 and the application deadline is on or before December 31, 2021. The MLTC has encouraged homes to submit before the due date as each application will be assessed as soon as it is received. This application, along with its required timelines, was not expected and therefore, did not align with the City's current budget timelines and deliberations for 2022 and 2023. Further, the provincial timelines have placed increased pressure on both The Elliott Community and City staff to discuss and review all options in order to present the Committee of Management (COM) with a preliminary business case and a review of funding opportunities in order to obtain approval to move forward with an application. It is recognized that the current budget has placed enormous pressures on Council and the timing of this application isn't ideal, however, it has been noted that there may not be another call for LTC beds again until 2025 placing additional pressures to meet this application deadline and ensuring this opportunity is not missed. The application for bed expansion is non-binding until after the province approves the application and the City and The Elliott enter into a development agreement with the Province.

The Board of Trustees of The Elliott Community (TEC) have recently developed and are expected to approve the final version of our strategic plan on December 2, 2021, which identifies 4 strategic directions for 2022 and 2023. These were designed to enable TEC to be as flexible and innovative as possible to respond to the current health care pressures and transformative legislation as well as, the recovery of the post pandemic periods. They were also designed to ensure that TEC continue to enhance its high standards of care; to maintain and enhance its financial stability; to grow and widen its association with both The City of Guelph and other key community and Health care partners; and to be a resource in the delivery of health care services in the retirement, assisted living and long-term care sectors. The first strategic priority focuses on increasing LTC capacity which will strengthen the home's financial well-being and sustainability. The strategic work plan was for staff at TEC to engage in a full analysis of expanding the number of LTC beds in early 2022, however, the recent call to apply for redevelopment has required that this specific analysis be conducted in November prior to our strategy being formally approved and released to the public. The opportunity to apply for increased beds was far too important to miss and despite the challenges presented, it aligned with the Boards strategic direction. Therefore, the preliminary analysis was completed and TEC's Finance and Audit Committee has approved and supports moving forward with the application. This motion will be presented for approval at the December 2nd, 2021 Board of Trustees meeting. The decision will be verbally confirmed on December 6th to COM.

There is an immediate need for more LTC beds in Guelph. Currently, TEC has over 699 people on our waitlist who have chosen the Elliott as their home of choice. Per Home and Community Care

Support Services (previously WWLHIN) as of November 25, 2021 – 3,563 people are waiting for placement into a LTC home, of which 759 people are from Guelph-Puslinch and, of those residents, 118 have been identified as crisis placements (see Appendix 1).

The redevelopment/renovation of current space at TEC is approximately 1/3 of the cost per bed as compared to the required capital investment for a new build. Recently announced projects by the Ontario Government are estimated to cost in excess of \$370,500 per bed and will not be available for up to 5 years, whereas our redevelopment costs for both phases is estimated at \$131,553 per bed and could be available for seniors in 18 to 24 months, depending on time required for Ministry approval (see Chart D on page 8). TEC is confident this investment in redevelopment would not only be cost efficient but would also provide an added benefit of increasing beds for residents and families who choose TEC as their LTC home.

This report will provide COM with the findings and preliminary business case required to support the submission of an application to The Ministry of Long Term Care. This application is the first of many required steps and does not guarantee that the Ministry will approve the application. However, with TEC's request to only renovate existing space, add mainly basic accommodation beds, combined with the homes exceptional track record in keeping COVID out of our facility and its high compliance status we are confident that this application would be successful if COM agrees to support our non-binding application to the Ministry of LTC to expand the number of licensed beds held by The City of Guelph at TEC on or before December 31, 2021;

REPORT

The City has a long standing connection to TEC. Not only does the City of Guelph hold the license for the 85 LTC beds, but the home is situated on City land and The Elliott Act established TEC as a local board under the Municipal Act, governed by a Board of Trustees whose members are appointed by City Council. In 2015, TEC became the City of Guelph's designated long term care home. The Ontario Long-Term Care Homes Act requires that every municipality within Ontario is required to support a municipal long-term care home. The City of Guelph is meeting this responsibility through a Delegation of Authority Bylaw, assigning the responsibility to operate the City's approved 85-bed long-term care home to TEC's Board of Trustees. In addition to the Delegation of Authority By-law, The City and TEC have also entered into a Long-Term Care Services Agreement (Services Agreement) that identifies the specific nature of the relationship and sets out the responsibilities of both parties to the Agreement.

As a not for profit charity, TEC operates a seniors campus of care model offering retirement and life-lease living arrangements beyond LTC. As the relationship between the City and TEC per the Services Agreement pertains strictly to the operations of the LTC, this report will only reflect the redevelopment of the long-term care operations and does not reflect the retirement and life-lease suites.

In the 2009 and 2014 Operational Reviews of TEC by the City of Guelph, it was noted that the LTC facility lacked the optimal bed allocation of 97 beds. Extensive financial comparators were used for both reports and clearly indicated that bed expansion would help to achieve financial efficiencies by generating more revenue. Further, it was noted in both reports that without this expansion other areas of the operation would continue to supplement any shortfall in LTC adding additional pressures in those operations. These reports also noted the potential for future increases in the City's operational contributions required for the LTC home due to this inefficiency. Further, the COM report from February 2015 noted: The operational review identified the

significant challenges faced by LTC homes managing their OA envelope with less than 96 beds and homes cannot achieve economies of scale in their operations. The recent City staff report that accompanied the KPMG Report on Specified Auditing Procedures further indicated that the LTC operation operates at a loss, and, as a not for profit organization, other areas of the operation subsidize this loss. This financial reality for TEC will continue unless we change the total number of licensed beds. Chart A provides a 4 year financial plan, as per TEC's 2022 budget planning. Revenues exclude amounts from government funded programs, such as Covid-19 and/or 4 hours of care.

Chart A: LTC Net Income	Per 2022 Budget*				Total
Year	2022	2023	2024	2025	
Number of LTC Beds	85	85	85	85	
Total Revenue (excl City of Guelph Funding)	7,331,655	7,423,379	7,245,257	7,242,115	29,242,406
Total Expenses	9,290,058	9,494,513	9,754,719	10,062,972	38,602,262
Net Surplus/(Deficit) before City Funding	(1,958,403)	(2,071,134)	(2,509,462)	(2,820,857)	(9,359,856)
City of Guelph Funding (proposed)*	1,939,138	2,009,550	2,085,043	2,165,927	8,199,658
Net Surplus/(Deficit) including City Funding	(19,265)	(61,584)	(424,419)	(654,930)	(1,160,198)

* Budget presented to Council for 2022/2023 and Board of Trustees 2022-2025

Currently, the 85 bed operating model cannot achieve the financial efficiencies as set out by the Long-Term Care Home Design Manual from 2015. This is due to the required mix of preferred and basic bed allocations a home must have. Legislation requires that a LTC home must not have more than 60% of its rooms designated as private or preferred accommodation rooms which ensures a minimum of 40% of the rooms/beds will be available at the basic accommodation rates. By renovating and adding more basic beds in both phases, it will allow a corresponding increase in the number of our designated preferred beds and associated revenues, which are currently being occupied and billed at a lower rate.

Chart B: Bed Counts	Existing	Phase 1	Phase 2
Basic	20	31	46
Preferred billed as Basic	14	7	0
Preferred	51	58	68
Total	85	96	114
Beds Added	0	11	18
Percentages:			
Basic	40%	40%	40%
Preferred	60%	60%	60%

A further expansion as shown on Chart B (Phase 2) would increase our bed count to 114 and would ensure that we are optimizing all of the preferred beds and would increase the number of basic accommodation beds into the local health system. Of the 759 people in Guelph-Puslinch (see Appendix 1), on the LTC waiting list, 469 are waiting for a basic accommodation bed. As demonstrated below in Chart C, the operating deficit would be eliminated for the planning horizon, improving the financial results by more than \$1.6 million as compared to the "status quo" scenario shown in Chart A. Revenues and expenses exclude amounts from government funded programs, such as Covid-19 and/or 4 hours of care.

Chart C: LTC Net Income*	Phases 1 & 2				Total
Year	2022**	2023	2024	2025	
Number of LTC Beds	85	96/97	114	114	
Total Revenue (excl City of Guelph Funding)	7,384,614	8,426,573	9,967,570	9,983,623	35,762,380
Total Expenses	9,290,060	10,322,633	11,759,353	12,113,932	43,485,977
Net Surplus/(Deficit) before City Funding	(1,905,446)	(1,896,060)	(1,791,783)	(2,130,309)	(7,723,598)
City of Guelph Funding (proposed)	1,939,138	2,009,550	2,085,043	2,165,927	8,199,658
Net Surplus/(Deficit) including City Funding	33,692	113,490	293,260	35,618	476,060

* The amounts shown in this analysis are preliminary and, as such, are subject to change as more information becomes available.

** Revenue revised in 2022 to reflect higher occupancy experience.

Investing in increased bed expansion would:

- Achieve operational efficiencies and reduce the annual LTC deficit, thereby stabilizing the annual operating request of city council and allow the home to build a capital reserve from its surplus.
- Reduce the dependency on other areas of TEC's operations to cover any short fall in LTC ensuring those other operational units can maintain their own fiscal wellbeing.
- Add 29 new beds to the local LTC system increasing supply and reducing hospital and community pressures.

Design, Location and Capital Costs

In order to determine the costs associated with the different models we engaged our construction company Melloul-Blamey to provide two cost estimates for Phase 1 and Phase 2 to renovate 19,677 sq. ft. of existing retirement space within LTC. (Appendix 3) Included in these estimates are; professional fees including Pre-Construction, Architectural, Mechanical & Electrical; contingency costs, COVID mitigation expenses, allowances for testing, insurance, surveys and commissioning, building permits and site supervision. The two phases also included the following estimated project requirements:

- Phase 1 construction includes: partition wall and flooring demolition, construction of new walls/partitions within existing room spaces, conversion/new room washrooms, medication preparation room, clean/soiled laundry, new lighting, emergency lighting, receptacles, switches, fire doors, new FOB for elevator, all millwork in residence rooms, hallway, furniture and equipment, doors, hardware painting and finishing;
- Phase 2 construction includes everything from phase 1 and following: new nursing station, storage room, shower/spa room, dining/server, janitor closet, fireproofing of underside of slab for 12,500 sq. ft., upgraded humidification system, complete air balancing, upgraded exhaust, rework of existing plumbing and patio enclosure:

Phase 1 – Redevelopment space – 11 new beds



Phase 2 – Redevelopment space - 18 new beds



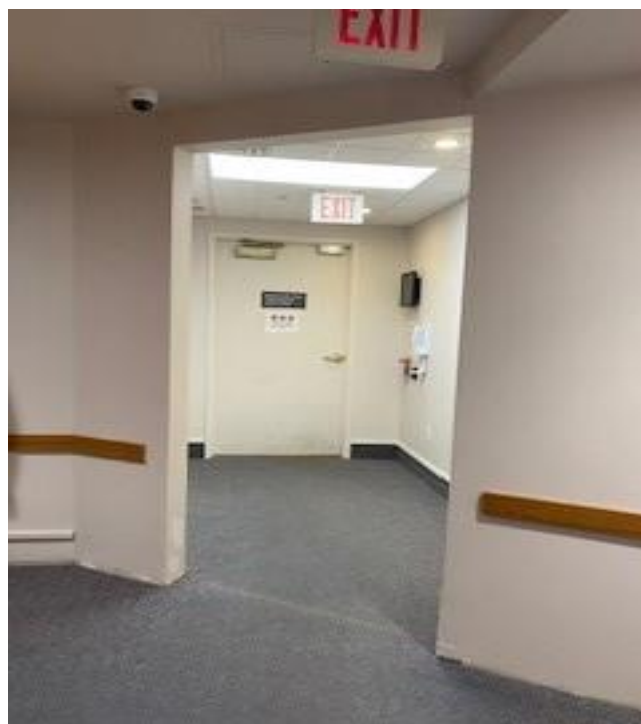
Further, a preliminary floor plan drawing was provided for each phase in order to determine the number of rooms that could be developed following the Long-Term Care Home Design Manual

and standards. Once the application is approved by the Ministry of Long-Term Care and finalized by a development agreement between the Ministry, the City and TEC, then a Developmental grant may be available to ensure any other design requirements or legislative requirements are built into the final plan.

Location of the new rooms is on the 3rd floor of 170 Metcalfe building. This retirement home space is directly connected to our LTC residence via a locked vestibule. When the building was built in 2003 it was designed with future LTC expansion in mind. Unfortunately, during that particular time period much of the LTC bed expansion was within for profit homes. Therefore, plans to extend long-term care on that floor is logistically sound from an operational, resident care and staffing perspective. Please see enclosed pictures of redevelopment areas.

Adjoining entrance attached to Phase 1 hallway – direct access to LTC home area





This specific retirement home area is separated from our main retirement building located at 168 Metcalfe. This standalone area has struggled for years to have full occupancy due to it being isolated from the remaining retirement residential area and the most vacancies occur there.

In order to offset these retirement occupancy challenges on the 3rd floor a number of financial initiatives were put in place. While these helped temporarily they never achieved the goal of 100% occupancy. During COVID this was further exacerbated and occupancy plummeted. As an Ontario Health Team (OHT) partner, we worked with Guelph General Hospital to temporarily turn these empty rooms into a hospital transitional space to provide care for those waiting in the hospital for an LTC placement. We also added private respite care services as another initiative to fill the remaining rooms on that floor. While both these initiatives have provided some financial relief to our low occupancy in this resident area, neither are long term solutions. Retirement residents typically want to reside with likeminded individuals, where activities regularly take place and this floor is separate and disconnected from the main retirement area which residents find challenging.

Therefore, the strategic direction of converting this space into LTC makes for a strong financial case. Phase 1 redevelopment does not have permanent residents residing in that wing therefore, construction could begin immediately following agreement signing and required planning. The estimated construction timeline provided by our construction company is between 4-6 months from start to first resident being admitted. Further, Phase 2 is estimated to be completed within 6-8 months which means this project would add 29 new LTC beds to the system years ahead of any new LTC capital building development. These Phases are planned to be completed consecutively for a total estimated timeline of 10 – 14 months. Typically new LTC building project takes an organization between 3-5+ years after its application has been approved until it opens. With ongoing supply management issues these large infrastructure projects will likely take much longer to complete. Our plan has built-in contingencies and by breaking the project into two phases,

construction can adapt and be flexible to these supply management issues in order to keep the cost estimate in line.

Chart D: Capital Investment**		Phases 1 & 2				Total
Year	2022	2023	2024	2025		
Phase 1	-	1,811,800		-		1,811,800
Phase 2	-		2,003,238	-		2,003,238
Total	-	1,811,800	2,003,238	-		3,815,038
Beds added		11	18			29
Cost per additional bed		164,709	111,291			131,553

**** The amounts shown in this analysis are preliminary and, as such, are subject to change as more information becomes available.**

If the application is approved, it is expected that the Provincial Government will provide the majority of the required funding, however, at this time, it is very difficult to estimate the exact amount. Clarity will be obtained following the initial approval and funding details can then be resolved.

The upfront capital investment for redevelopment phases 1 and 2 will generate savings through efficiencies for many years to come, providing for a significant return on investment. The preliminary estimate of the capital contribution is almost offset within the first 4 years of projected additional surplus. If this investment is not made, the annual operational and capital support requests by TEC to the City of Guelph will almost certainly increase.

Business case

In a recent report this fall in the Healthcare Papers, Vol.20 No.1 by Don Drummond and Duncan G. Sinclair, the demand for LTC beds is estimated to double in the next 20 years. With an increase of over 4.2 million people in Canada on track to become seniors it is estimated we will need between 450,000 and 600,000 LTC beds. The COVID-19 pandemic has also disproportionately affected the LTC sector with 67% of all COVID related deaths occurring in LTC/retirement home facilities. (Healthcare Quarterly, Vol.24 No.3 2021). We are incredibly proud that this was not the case at TEC. Our strong resident focus, care philosophy and the culture of our organization meant the legislative duty of care of all residents was fulfilled. This success has contributed to our surging waitlist in most areas of our operation with exception of proposed redevelopment space. Converting this space to new LTC beds allows TEC to achieve a number of critical operational efficiencies and implement a number strategic initiatives, including:

1. Increasing the LTC bed count by 34% which will increase revenue generation and stabilize its financial strength.
2. The approval to increase the number of beds corresponds, based on the current funding model, with an eventual increase of provincial funding per envelope which will also support the estimated additional FTE's required to staff Phase 1 – 3 FTE's and Phase 2 – 5 FTE's.
3. New capital funding submitted in the 2022-2023 budget would still be required, however each redevelopment phase forecasts net surplus that can contributed to a capital reserve and used to offset unforeseen capital expenditures rather than relying solely on the City of Guelph.
4. The maintenance of a steady operational funding level from the City tied to regular inflationary increases and avoids significant fluctuations in operational requests.
5. TEC will be able to build a capital reserve and be able to meet its capital expenditure program, thereby reducing reliance on the City and its lenders.

6. As the application being considered is non-binding, funding details can be examined and decided upon at a later date in the application process.

While timelines have been less than ideal and further in-depth financial analysis is still required in partnership with the City, the preliminary analysis clearly demonstrates the opportunity for TEC to achieve optimal operational efficiency post redevelopment. This is significant as the modelling, as seen in Chart A, demonstrates the ongoing forecast of an operational deficit which will place further financial pressures on the home and the City. This application is the first step forwards to achieving the financial stability and wellbeing of TEC for years to come and helps to maintain a steady funding commitment for the City to budget for while increasing access to LTC beds in the community.

A financial comparison for the years of 2022 through 2025 is as follows:

LTC Total Net Income	Status Quo	Phases 1 & 2	Difference
Total Revenue (excl City of Guelph Funding)	29,242,406	35,762,380	6,519,974
Total Expenses	38,602,262	43,485,977	4,883,715
Net Surplus/(Deficit) before City Funding	(9,359,856)	(7,723,598)	1,636,258
City of Guelph Funding (proposed)*	8,199,658	8,199,658	-
Net Surplus/(Deficit) including City Funding	(1,160,198)	476,060	1,636,258

Respectfully submitted by:

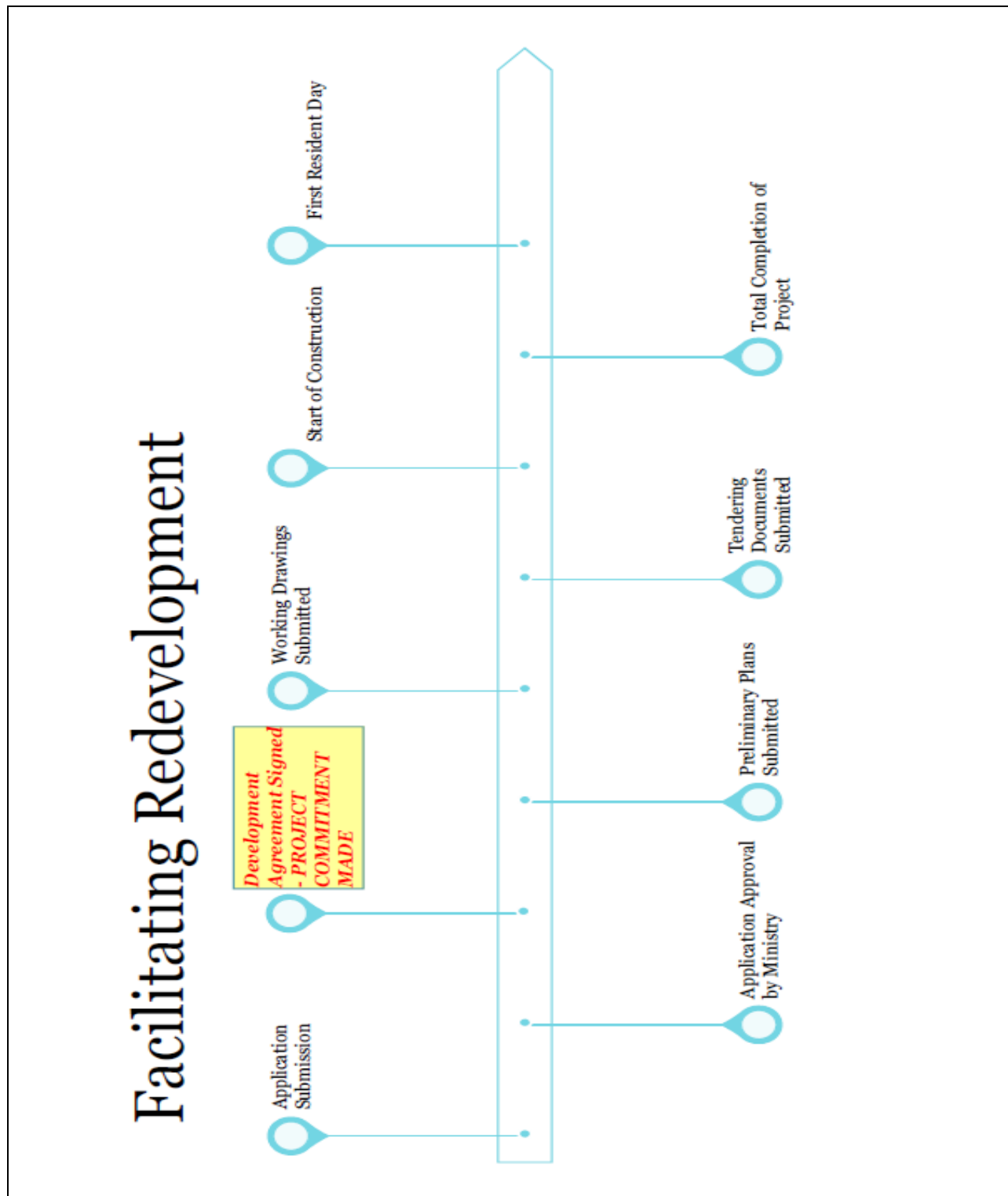
Michelle Karker
Chief Executive Officer

Norman Wolff
Director of Finance and Operations

APPENDIX 1 - Home and Community Care Chart

Row Labels	Sum of Unique Pts on Waitlist	Waiting in hospital for placement -To a WW LTC- In region and Out of region	Waiting for Placement from Community Applicants	Sum of Basic applicants
Cambridge-North Dumfries	571	35	536	368
Guelph-Puslinch	759	45	714	469
Kitchener Waterloo Wellesley	1400	98	1302	849
Wellington	523	36	487	318
Pt waiting in a WW for placement out of region exclusively	310	25	285	
Grand Total	3563	239	3324	2004

APPENDIX 2 - Facilitating Redevelopment Timeline (Estimated)



APPENDIX 3 - Bed Redevelopment Floor Layout

