

Q&A with Hospital Sector – May 19, 2021

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COVID-19 Incremental Expense Reimbursement

- 1. If we exceed our letter for capital expenses, can we use unused COVID-19 expenses or unearned program revenue for the difference?**

Operating dollars can only be applied to operating pressures and cannot be applied to unfunded capital COVID-19 incremental expenses or other capital projects.

In case the expenses exceed the funding amount, refer to the response to Q2.

- 2. Our hospital does not have any unearned revenue that can be used to offset the excess incremental expenses over the amount that was identified in the March 23 ADM letter for accrual. How will we be reimbursed?**

If a hospital has incurred eligible incremental COVID-19 expenses that are beyond the identified accrual amount and has no unearned funds to apply, lost non-Ministry Revenue funding can be applied to clinical activity and hospital operations, including Fund Type 1 or Fund Type 2 related expenses not already supported by other Ministry funding. If funding is

still not enough after the broad-based reconciliation steps have been followed, the Ministry will reimburse the hospital; however, the revenue will be recorded in 2021-22.

- 3. For 2021-22 incremental COVID-19 expense reporting would the Ministry consider monthly reporting being YTD rather than standalone months, that way corrections could be made on most recent reporting rather than resubmissions.**

While we recognize that this may be simpler for hospitals, it will be difficult for the Ministry to track monthly expenses and corrections for internal auditing and reconciliation purposes if hospitals report expenses in a YTD fashion.

- 4. Is the large COVID-19 operating claim still due to the LHIN's on May 24th for the month of March? Will it be extended?**

In recognition of the year-end reporting deliverables hospitals are prioritizing, the ministry has extended the submission deadline for the COVID-19 Incremental Expenses for March 2021 to Monday, June 14th, 2021.

The May 24th deadline is one set by the OH Regions (former LHINs) – we encourage you to communicate with your respective Region if the timeline cannot be met.

- 5. We submitted expenses for 3rd parties, such as Eastern Ontario Health Unit. The funding amount in the March letter for our hospital doesn't cover our expenses. Our policy is to pay the 3rd party once we receive funding from the Ministry. As our expenses exceed the funding amount how will these 3rd parties be refunded for their expenses. FYI, we were directed by our LHIN representative to add these expenses to our reports.**

Third-party expenses are only eligible for reimbursement if they were associated with assessment and vaccine administration centres. Otherwise, the COVID-19 Incremental Expense Process was only intended for expenses related to hospital-based programs or clinical service delivery.

If the actual eligible COVID-19 incremental expenses for December 2020 to March 2021 (and prior month adjustments) incurred are estimated to be higher than the total estimated/accrual amounts communicated in the March 23, 2021 ADM memo, hospitals should book the revenue amounts up to the accrual amount communicated in the ADM memo, and book the actuals as expenses. Hospitals may then apply unearned funds from select hospital programs (e.g. QBPs, or PCOP) to these as they constitute hospital Fund Type 1 cost pressures.

For unearned funds that are applied to eligible COVID-19 incremental expenses above the accrual amount identified in the March 23, 2021 ADM Memo, hospitals should make sure to officially submit these expenses to the COVID-19 Incremental Expense process and specifically note on line 1.2 ("Funding: MOH/OH - "Unspent"/Offset) of their expense submission that these expenses were offset by unearned funds.

In case the expenses exceed the funding amount, refer to the response to Q2.

6. The ADM memo dated May 11 indicated Hospitals are expected to start returning settlement forms to Ministry beginning June 11. No end date was provided. Can Hospitals submit settlement forms by June 30th?

Hospitals are required to complete the COVID-19 Lost Non-Ministry Revenue Reimbursement Attestation Form, which includes Fund Type 1 or Fund Type 2 related expenses not already supported by other Ministry funding, by June 11, 2021.

The deadline to submit the Year-End Attestation Operating and Capital Forms for the COVID-19 Incremental Expenses Process is June 30, 2021.

7. Based on requests from hospitals and LTCH for additional staffing, there have been both OH and HCCSS staff that have been redeployed to these settings. In this circumstance, is the legacy LHIN to invoice the provider re: staffing costs for backfill, OT etc. and then have the provider include in their e.g. March HOSP Incremental, or is there an alternate process proposed to address these incremental expenses for March and going forward into 2021-22?

Hospitals that received extra staffing from OH and HCCSS can submit expenses for overtime and premium pay via the COVID-19 Incremental Expense Process for 2020-21 FY, provided that these expenses are to reimburse the LHINs (since base salaries of staff would have still been paid by the LHINs).

Hospitals who have deployed staff to LTCH are allowed to submit expenses through the COVID-19 Incremental Expense Process, provided that these deployments are not related to Mandatory Management Orders (MMO) and Voluntary Management Contracts (VMC). Deployments for MMO and VMC should be billed directly to the LTCH operator. All other hospital expenses for LTCH deployments for 2020-21 should be submitted in the March expense reports. The Ministry is expecting to maintain this process into 2021-22 FY; however, please note that expense categories for eligible staffing deployments are being revised. The Ministry will communicate this guidance to the sector in June 2021.

- 8. If HOSP Incremental expenses were submitted for reimbursement in 2020-21, and then auditors “flagged” these expenses as “ineligible”, should the adjustment be reflected in the March submission?**

Yes. Corrections for expenses that auditors since deemed ‘ineligible’ should be reflected in the March expense submissions due June 14. In the resubmission, please provide information in the comment column regarding the ineligible expenses.

- 9. Can you confirm if the additional beds that are being funded for the first quarter will continue throughout the full year?**

The government will continue to fund the operation of COVID-19 response beds for the full fiscal year and associated funding letters will be provided. This includes approved beds opened during Wave 1, the Fall Preparedness Plan and Phase 3 critical care beds. Please note that the beds are subject to reallocation throughout the year, to respond to COVID-19 surges and later, the surgical and procedural backlog. The ministry will work with Ontario Health and hospitals regarding any required bed reallocations.

Unearned Hospital Funds

- 10. The list of eligible unused funds appear to only be the volume based funds. I have Base funded programs that have unused funds that are subject to claw back. Can I not use those funds to offset some of my deficit?**

No. Only the programs listed in the Application of Unearned Funds form and the March 23rd ADM Memo “Amendments to Accountability Agreements and Broad-Based Reconciliation of 2020-21 Hospital Funding” are eligible to be applied to Fund Type 1 cost pressures.

- 11. For clarity, is "Building" which is not part of HSAA defined Margin, included in Fund Type 1?**

Fund Type 1 Surplus/ Deficit appears as line (row) 48 in the Statement of Operations as reported in first sheet of your hospital’s final (Q4) 2020-21 verification report.

Excluded from line 48 are the following building related revenue and expense items:

- Revenues - Amortization of Donations and Grants re: Land Improvements, Buildings and/Building Service Equipment, Leasehold Improvements

- Expenses - Amortization, Gain/Loss on Disposal of Land Improvements, Buildings and Building Service Equipment, Leasehold Improvements
- Expense - Interest on Long Term Liabilities

All other Fund Type 1 building related expenses are captured in your hospital's Statement of Operations on line 45, '**Utilities, Building & Ground Expense**' and line 46, '**Supplies and Other Expenses.**'

Note that the expenses listed in **Section B** of your hospital's **Application of Unearned Hospital's Funds**, are the exact same ones as appearing in the Statement of Operations (per your hospital's 2020-21 verification report). To assist you in completing Section B, the relevant secondary accounts (which correspond to the expense items as reported in your hospital's Statement of Operations) have been provided in column M. Those related to 'building' begin with '9'.

A single answer has been drafted for Q12 and 13.

12. Where should unearned revenues that are being used to cover other cost pressures be reported from an MIS perspective? If they get recorded in their normal ROCs such as QBP and PCOP funding, does that not mask true financial impact of COVID-19? The question is from a benchmarking perspective if the ministry or the sector truly wanted to understand the impact of COVID-19 for hospitals, it will not be straight forward to figure that out.

13. Can we use F11009 to report all COVID-19 related revenue including lost revenue in MIS?

Volume-based funding should be recorded in typical revenues accounts only when this funding is offset by eligible expenses.

As per the Nov 26th, 2020 Ontario Healthcare Reporting Standards (OHRS) Communications, hospitals have been directed to set up a new pandemic related revenue account effective Q3 2020-21 as follows:

New Financial Account: F11009 Funding – Pandemic

- This account is used to record funding from the Ministry for specific services and activities related to a pandemic situation. This account is used when specified by the funder. The account can be reported in the consuming functional centre(s) or Accounting Centre 8*911. Dedicated significant amount of funding should be reported in the consuming functional centre(s).

- The following guidelines remain for the 2020-21 submission (same as in the Q4 2019-20 and Q2 2020-21 submissions): **Continue with the existing approach to report expenses and activities based on service provision**, i.e. report expenses and service provision according to the existing standards in the relevant functional centre(s).

For complete details see the Health Data Branch Web Portal located at <https://hsim.health.gov.on.ca/hdbportal/ohrs>.

14. Will unearned revenue from 2019-20 also be considered as part of this broad reconciliation?

No. Unearned revenue from 2019-20 FY will not be considered as part of this broad reconciliation.

15. The Unearned Revenue form does not have a column for Mental Health or OBS/Gyne. Where should we add those cost pressures?

They can be listed in the “Other” column, Column I.

Lost Non-Ministry Revenue

16. Our auditors mentioned that a separate attestation may be requested for incremental funding and lost revenues. This late in the process it would be helpful that the Ministry agree to receive a report on the substantive testing they have already done where possible.

The Ministry has provided 3 forms which require both the hospital CEO/CFO and auditor sign off:

1. Operating expenses – due June 30, 2021
2. Capital expenses – due June 30, 2021
3. Lost non-ministry revenue – due June 11, 2021

These forms must be completed in full in order for the Ministry to do the necessary due diligence in determining appropriate reimbursement.

Should your respective audit firm not sign the form(s), please submit the hospital CEO/CFO form with any additional information you deem appropriate for ministry awareness. Note: the Ministry is not removing the requirement for auditors’ attestation. If Auditors do not attest, the ministry will rely on the audited financial statements and hospitals CEOs/CFOs

attestation, as well as other measures as appropriate, to complete a formal reconciliation of funding.

Working Capital

17. Can we get more clarification about what to record for working funds? Should it be the full amount or net of the vacation accrual?

For hospitals eligible for Working Funds, the Ministry expects that hospitals recognize revenue in 2020-21 up to the amount that hospitals were informed they are eligible to accrue on March 16th, 2021. This may improve their working capital position for 2020-21 as they may show a surplus in their Statement of Operations for 2020-21. Hospitals cannot make any debt repayment until they receive the final approved funding allocation in 2021-22.

18. Hospital Working Funds – which HSP's are getting this money and how are we recording this for YE? Auditors are questioning the memos.

Hospitals can disclose the amount of working funds in their financial statements. Eligible hospitals should have received communication from their LHINs. Eligibility was based on 2019-20 Audited Financial Statements. Please note that hospitals cannot publicly release their maximum eligible accrual numbers in financial statements/annual reports.

Surplus

19. If we have recognized revenues in the order that has been recommended and this brings us to a balanced budget, and we then receive an increase to base funding which creates a surplus, does this impact the recognition of the COVID-19 revenues?

Any overall increases to base funding that a hospital received in 2020-21 should have been factored into your hospital's Fund Type 1 Surplus/ Deficit before the broad-based reconciliation process.

In the broad-based reconciliation process, hospitals should recognize the following funds in a specific order:

- **Step 1:** recognize revenue to offset actual eligible COVID-19 incremental expenses

- **Step 2:** apply any unearned funds from the selected programs up until they achieve an Adjusted Fund Type 1 balanced position (no surplus/deficit) (refer to Application of Unearned Hospital Funds template instructions for further details).
- **Step 3:** apply up to the estimated accrual amounts of Lost Non-Ministry Revenue funding previously communicated by the Ministry against hospital operations and clinical activities (refer to Lost Non-Ministry Revenue template instructions for further details).

Steps 1 to 3 should be applied sequentially.

The ministry is not providing specific direction on the amount of surplus/deficit that is reasonable and appropriate for a hospital to include in its Audited Financial Statements. The specific direction is that for Step 2, unearned funds can only be applied only to Fund Type 1 cost pressures to bring the hospital to a balanced position based on their Adjusted Fund Type 1 position. At Step 3, hospitals can next recognize Lost Non-Ministry Revenue.

Hospitals also receive many sources of funding (from both the Ministry and other sources, i.e. tax rebates) beyond the three tranches of funds above that were the subject of end-of-year memos and communications (e.g. global budget funds, assessment centre funding, and funds from other programs not listed on the March 23rd Amendment to Reconciliation Policies and Broad-Based Reconciliation Memo). As a result of all funding sources, the Ministry of Health understands that some hospitals may close the 2020-21 year with a positive/surplus financial position reported in their Audited Financial Statements.

The Ministry's policies are that hospitals are able to generate and retain operating surpluses. Therefore, when recognizing revenue sources of funding, hospitals should follow general accounting principles to be conservative.

Unusually large revenue increases identified through this review that do not correspond to an accompanying expense may result in adjustments to the final amount of funding that is ultimately flowed to each hospital.

General Broad-Based Reconciliation

20. Assuming AFS is submitted and may not have rec'd the MOH response as "eligible vs. ineligible", when can HSPs expect a final reconciliation from an MOH perspective.

Following submission of forms in June and review of documentation in the summer, the Ministry is aiming to issue settlement letters and flow final payments for 2020-21 in Fall 2021.

21. If a hospital does not have unearned funds, what are options available to claim lost T-fee revenues?

Lost T-fees are not considered an incremental COVID-19 expense, and given they are a form of Ministry revenue, they should therefore not be listed in Section A or Section B of the Lost Non-Ministry Revenue Form. They are not eligible for lost revenue support.

However, the Ministry understands that when hospitals experienced a drop in T-fee revenue and still have retained the staffing and costs in the associated departments that would usually be supported by that T-fee revenue, they experience a funding pressure.

Unearned funds can be applied to Fund Type 1 pressures, including pressures that result from lost T-Fees and any COVID-19 incremental expenses above the amount identified as an accrual by the Ministry.

If a hospital does not have unearned funds due to receiving largely global funding, the underlining hospital expenses that are financed/funded by T-fees can be claimed in Section C of the Lost Non-Ministry revenue form if they have not been covered from other ministry sources. Lost T-fees themselves are not eligible for support.

Other

22. When can regions release accrual amounts to HSPs. This is ++ \$\$ and challenging esp. for small hospitals.

Accrual amounts for COVID-19 expenses, Working Capital and Lost Non-Ministry Revenue should have been released to hospitals directly after memos were released in March 2021.

23. Some reports are due on June 11th. Our auditor's reports will be dated June 23rd. I don't anticipate having the signed auditor's report on the 11th. I will be able to send the hospital's report by the 11th, with the auditor's signed report after June 23rd.

Both the Application of Unearned Funds Form and the COVID-19 Lost Non-Ministry Revenue Form are due on June 11th. See below for more information regarding auditor sign off.

A single answer has been drafted to the following questions regarding auditor sign-off.

24. The settlement forms circulated May 5th require signature by Auditors and are due June 11. We hear auditors are hesitant to sign the forms for principled reasons, and not due to specific circumstances related to a specific hospital. Are there any updates re: auditor involvement with these forms?

25. Is there any specific further clarifications to Auditors to address the "principled hesitancy to sign off"? We have also heard about interpretive differences between auditors.

The Ministry has engaged with the audit firms representing hospitals and valued the feedback they provided on the Year-End Financial Reporting Process. Auditors are encouraged to reach out to the Ministry if they have any further questions on the forms or guidance provided to date.

The Ministry has provided 3 forms which require both hospital CEO/CFO and auditor sign off:

1. Operating expenses – due June 30, 2021
2. Capital expenses – due June 30, 2021
3. Lost non-ministry revenue – due June 11, 2021

These forms must be completed in full in order for the Ministry to do the necessary due diligence in determining appropriate reimbursement.

Should your respective audit firm not sign the form(s), please submit the hospital CEO/CFO form with any additional information you deem appropriate for ministry awareness. Note: the Ministry is not removing the requirement for auditors' attestation. If Auditors do not attest, the ministry will rely on the audited financial statements when received, hospital CEOs/CFOs attestation, as well as other measures as appropriate, to complete a formal reconciliation of funding.