OHA Member Call Q&A on the Ontario Budget and Year-End Financials

March 25, 2021

Contents

Base Funding

1. **Please clarify - minimum 3.14% for all hospitals base?**
2. **When we will receive further details about hospital specific base % increases?**
3. **Can we get an idea of timing for receiving 21/22 funding letters?**

   Please see below for a combined answer for questions 1 through 3:
   The Ministry is in the process of reviewing and finalizing base funding and initials allocations for the 2021-22 funding year. Details will be made available over the coming weeks.

4. **With a 3.4% base increase, which is the total provincial amount, is there at least a certain amount that is a % applied to the existing global funding? That is, would the Ministry be able to confirm that each hospital is getting a minimum of 1% (or whatever the % is), and the remaining amount is TBD in the next 2 months?**
5. **Is the amount to be invested using GEM known?**
6. **Do we know if GEM will be used in determining individual Hospital's base inflationary allocation?**

   Please see below for a combined answer for questions 4 through 6:
   As in previous years, the $778M allocation will be flowed through the various Ministry funding streams, including the Growth and Efficiency Model, PCOP, Priority Services and others. The Ministry is in the process of finalizing the policy and implementation decisions which will dictate the distribution of the $778M across these areas. Details will be made available over the coming weeks.

7. **Can you please clarify the 3,100 beds – which beds are these?**

   Since the beginning of the pandemic, the Ministry of Health has funded the opening of more than 3,100 additional beds to respond to case load pressures in hospitals. These beds include:
   - Up to 887 beds opened in March 2020 during the First Wave ("1A beds"); and
   - Up to 2,254 beds opened in the fall of 2020 resulting from the Fall Preparedness Plan.

   The ministry is working with OH to confirm allocations and provide associated funding letters.

Working Capital

8. **Will working capital news be embargoed until July?**

   The communications embargo is lifted; however, hospitals cannot release their maximum eligible accrual numbers.

9. **Could we please get clarification on what we mean by improving working funds position "to a neutral or surplus position." A one-time injection of funds for working capital will result in an unplanned significant surplus at year end, however, will also mitigate some of the working capital deficit and cash flow issues experienced by hospitals due to this working capital deficit.**

   The intent of the funding is to address short-term indebtedness and improve hospitals working funds position.

10. **Has the LHINs already communicated to the hospitals if they are selected for working capital funds?**

    Yes, eligible hospitals should have received communication from their LHINs as they need to accrue the funding in the current fiscal year by March 31, 2021.

11. **Do the eligible amounts communicated to the 69 eligible hospitals total to the $696.6M indicated, or do individual eligible amounts communicated exceed $696.6M and therefore the upcoming process by the summer shall force a reduction of individual hospitals' eligible amounts?**

    The eligible amounts communicated to the 69 eligible hospitals total to the $696.6M. It is possible that the process for validating hospital financial data to ensure consistency across hospitals may result in hospitals receiving less than the amount that they have been asked to accrue by March 31, 2021.

12. **Re: working capital funds, what is the Ministry's expectation on how the credit side of the accounting entry will be done at year end? Based on current letters stating there will be reconciliation later in the year, it is likely a current liability as at Mar 31, 2021, so w/cap will not be improved at year end.**

    To accrue the funding at year-end, the accounting entry will be to debit accounts receivable and credit revenue. Subsequently, when the funding is received, hospitals will apply the funds to pay off current liabilities (such as short-term debt) that existed at March 31, 2021.

13. **How will you address errors in the working capital funding? Has additional funding been set aside to address these pressures?**

    The ministry is setting up a small working group with the OHA and hospital representatives to review hospitals' financial data, identify any possible adjustments that can be applied consistently across to the reported current assets/liabilities to arrive at a final working deficit amount for hospitals. This group will also provide recommendations on conditions for the funding, reconciliation, and recovery processes. However, there is no additional funding set aside to address these pressures.

Lost Revenue

14. **Where does OHIP fall into the lost revenue?**
15. **The OHA indicated that Tech fees are ineligible as Lost Revenue impacts. As this is clearly Patient-Based Activity (PBA), I'm curious as to the rationale for why this has been excluded. Medical Imaging was:**
    In-scope re: Service Backlog Investments (additional Operating Hours) to address timely access to address wait list queue;
    Decreased Medical Imaging volumes (and therefore reduced tech fee recovery) is a PBA impact;
    Impacted where most staffing is full-time, and would be paying the staff regardless of the number of scheduled procedures;
    The outpatient tech fee subsidizes staffing required for inpatient and ER urgent requirements;
    Medical Imaging often contributes to admission avoidance and informs plan of care.

    Please see below for the combined answer to questions 14 and 15:
    For the purposes of the lost non-ministry revenue reimbursement, revenues associated with OHIP, which include lost technical fee (T-fee) revenues, are not part of the package. However, if the absence of Technical Fees revenue has created a cost pressure within the hospital (i.e. even though T fee revenue was not received, the hospital still has staff salaries to consider in diagnostics departments) hospitals are eligible to apply unearned volume-based funds (e.g. QBPs, PCOP, priority programs funds) to address any Fund Type 1 hospital operating cost

pressures. See the March 23rd memo on "Amendments to Accountability Agreements and Broad-Based Reconciliation of 2020-21 Hospital Funding" for reference

16. Please provide more detail on loss revenue related to the QBP.

As noted in the ADM memo on "Amendments to Accountability Agreements and Broad-Based Reconciliation of 2020-21 Hospital Funding", the ministry is adjusting reconciliation policies for select hospital funding programs to acknowledge fundamental changes in hospital operations caused by the pandemic. The QBP program is one of the programs included in this policy change, and hospitals will be permitted, on a one-time basis in 2020-21, to use unearned funds from the QBP program to address hospital operating cost pressures (Fund Type 1) that were not reimbursed through the COVID-19 Incremental Hospital Expense Process.

Hospitals will be required to provide documentation and attest on how these unearned program funds were applied to other hospital cost pressures. An 'Application of Unearned Hospital Funds' will be released by the Ministry. This form will be evaluated as part of the Broad-Based Reconciliation Process for 2020-21 hospital funding related to and impacted by COVID-19.

17. It was mentioned that the working funds initiative funds are planned to be flowed in July 2021. What is the anticipated timeframe to flow the revenue loss funding?

Following the year-end accrual, a review process will occur to assess and validate the lost revenue claims. This process will take into account year-end financial data and will include an attestation process for hospitals. At the conclusion of this analysis, a final reimbursement total will be determined, and funding letters will be issued. Given the need for audited financial data and time for review, the final reimbursement is not expected to occur before Q3 2021.

18. What is the strategy for unearned PCOP revenue?

As noted in the ADM memo on "Amendments to Accountability Agreements and Broad-Based Reconciliation of 2020-21 Hospital Funding", the ministry is adjusting reconciliation policies for select hospital funding programs to acknowledge fundamental changes in hospital operations caused by the pandemic. The Post-Construction Operating Plan (PCOP) program is one of the programs included in this policy change, and hospitals will be permitted, on a one-time basis in 2020-21, to use unearned funds from the PCOP program to address hospital operating cost pressures (Fund Type 1) that were not eligible for or submitted to the COVID-19 Incremental Hospital Expense Process.

Hospitals will be required to provide documentation and attest on how these unearned program funds were applied to other hospital cost pressures. An 'Application of Unearned Hospital Funds' will be released by the Ministry. This form will be evaluated as part of the Broad-Based Reconciliation Process for 2020-21 hospital funding related to and impacted by COVID-19.

Please note the memo also served to amend the March 30th, 2020 ADM memo on 2019-20 Year-end Recovery of Unspent Volume-Based Funds to include Post-Construction Operating Plan

funding on the list of programs. Thus, hospitals are also able to use unearned PCOP funds from 19-20 to address COVID-19 pressures at hospitals incurred in 19-20.

19. **Would you be able to provide any information regarding the province working on funding procedures for community facilities that had material impacts to revenue, namely Independent Health Facilities (IHFs)?**

    The Independent Health Facilities Program is not working on any funding procedures for Independent Health Facilities Licensee/owners that had material impacts to revenue.

COVID-19 Incremental Expenses

20. **What is the accrual process?**

    The ministry follows the accrual accounting method where revenues are recognized when earned and expenses when incurred regardless of when cash received or disbursed. Transactions are recorded in the financial statements of the period to which they relate to under the matching principle.

    Under the accrual basis of accounting, the hospitals should recognize as a revenue and a receivable for the estimated amount the ministry provided. The cash payments will be flowed in 2021-22 after the validation of hospital data is completed.

21. **Why is the ministry accruing the December to March 2021 expense reimbursements?**

    As the ministry only recently received December and January expense reports (by March 1st 2021), the process to validate these expenses, along with receiving the necessary government approvals and preparing funding letters would have taken time, whereby payments to process the cash flow in March would not have been possible.

    - Similarly, for February and March, expense reports will only be received by end of March (i.e. end of the 2020-21 Fiscal Year) and end of May 2021 and can only be processed after the fiscal year end (in the next fiscal year of 2021-22).

    Pending validation of submitted financial data and attestation receipt from hospitals and OH/LHIN regions, confirmation of COVID-19 expense reimbursements for balance of 2020-21 will be issued and payments/cash flowed in the 2021-22 fiscal year.

22. **How were the accrual amounts calculated?**

    The accrual amounts were calculated based on:

    - Actuals for December and January expense reports; and

- Forecasted calculations for February and March, by analyzing the trend of the prior monthly expenses submitted and additional requirements for February and March should it materialize (i.e. increased vaccine administration, Increased hospital responses)

Note: For expenses reported in FC 7155410 Com Disease Prev. and Control (which is used for Assessment Centre expenses reporting) and FC 714* Diagnostic/Lab/ Therapeutic (which is used for COVID-19 Lab Expenses reporting only), only expenses reported in "Line 4.1 - Supplies: Personal Protective Equipment" will be reimbursed by the ministry. Therapeutic services, such as respiratory therapy, social work and physiotherapy, will be reimbursed under a different functional code. If applicable, hospitals are asked to contact the Ministry directly regarding this.

- The balance of expenses reported are overseen by the accountability agreements / funding agreements the respective hospital will have with Ontario Health.
- The estimated accrual amounts have taken this into account.

23. What if the accrual amounts are lower than the actuals to be submitted?

If the estimated amounts are lower than the actuals, the ministry may make the necessary adjustments. Hospitals should recognize the ministry estimated amounts.

If the amounts are higher than the actuals, and after any required adjustments to remove ineligible expenses were made, the cash flow amounts will decrease.

24. In regards to the auditor attestation on the COVID-19 incremental expenses, in conversations with our auditors, they do not feel that guidelines are specific enough in order to allow them to "audit" our claims. How will we address this?

Hospitals should be prepared to provide the Ministry with invoices for eligible expenses. In instances where the guidelines are not specific enough for auditors the Ministry encourages hospitals to contact the Ministry.

25. Will there be technical guidance provided for auditor's attestation required for COVID-19 expenses claims and accruals at March 31, 2021?

TBD pending MOH engagement with auditors from the major audit firms that support hospitals with their year-end processes.

26. Can further clarity be provided as to what is eligible after April 1 for COVID-19 expense submission. Will new guidelines be released?

The ministry will provide a revised guidance document and a revised excel template with modified criteria. The ministry will communicate the updates to the hospital sector in April/May 2021.

27. What about COVID-19 capital purchases that go into F22? Still eligible for reimbursement?

The Ministry will be continuing the reimbursement for eligible capital expenditures as outlined in the guidelines. The Ministry will be communicating with the sector of updates pertaining to the guidelines and the period of reimbursement.

28. COVID-19 screeners are a significant added cost. Where are these covered?

Compensation for COVID-19 screeners can be reported in the expense submissions in the respective Functional Centre / Expense Group under which these screeners. Please take the below into consideration:

- For October reporting submission onwards, Hospitals can continue to report expenses in the FC 7155410 Com Disease Prev. and Control (for Assessment Centre expenses reporting) and FC 714* Diagnostic/Lab/ Therapeutic (for COVID-19 Lab Expenses reporting only). Only expenses reported in "Line 4.1 - Supplies: Personal Protective Equipment" will be reimbursed by the ministry. The balance of expenses (and revenues applied) reported are overseen by the accountability agreements / funding agreements the respective hospital will have with Ontario Health.
- If there are other incremental COVID-19 expenses incurred that are related to Assessment Centres or Diagnostic/Labs/Therapeutic that are not covered under the accountability / funding agreements with Ontario Health, or would be reported under these expense groups, hospitals can report them in the "FC 71* Admin/Support/Other not Specified" to be considered for reimbursement (please also include comments).

29. The COVID-19 guidance document indicates that the PPE expense reported should reflect the PPE used during the reporting period, rather than the total amounts purchased. Can a hospital report all PPE expenses incurred in 2021-21 in the March 2021 Expense Report?

The guidance document currently states that only expense related to "PPE used" should be reported for consideration of reimbursement. However, since many hospitals have balance/residual expenses for PPE that have not been used but for which the expenses were incurred in 2020-21, the ministry is allowing the reporting of these balance expenses (which have not been reimbursed) in the March 2021 expense reports.

The ministry will also update the guidance document for 2021-22 COVID-19 expense reporting process to reflect this update.

30. Will the ministry provide a revised attestation/settlement template for operating and capital COVID-19 funding?

MOH will provide revised attestation/settlement templates after the engagement with auditors from the major audit firms that support hospitals with their year-end processes is completed.

31. What if the accrual amounts are lower than the actuals to be submitted?

If the estimated/accrual amounts communicated in the ADM memo are higher than the actual expenses* to be incurred from December 2020 to March 2021 (and prior month adjustments), and after any required adjustments to remove ineligible expenses, the ministry will reimburse the hospital in 2021-22 (subject to formal government approvals) to match actual expenses incurred in 2020-21.

If the actual 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 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

* The actual expenses to be reported should take the below into account.

- For October reporting submission onwards, Hospitals can continue to report expenses in the FC 7155410 Com Disease Prev. and Control (for Assessment Centre expenses reporting) and FC 714* Diagnostic/Lab/ Therapeutic (for COVID-19 Lab Expenses reporting only). Only expenses reported in "Line 4.1 - Supplies: Personal Protective Equipment" will be reimbursed by the ministry. The balance of expenses (and revenues applied) reported are overseen by the accountability agreements / funding agreements the respective hospital will have with Ontario Health.
- If there are other incremental COVID-19 expenses incurred that are related to Assessment Centres or Diagnostic/Labs/Therapeutic that are not covered under the accountability / funding agreements with Ontario Health, or would be reported under these expense groups, hospitals can report them in the "FC 71* Admin/Support/Other not Specified" to be considered for reimbursement (please also include comments).

32. I have several prior monthly expense reports that require adjustments/corrections. Can these still be submitted for consideration?

The ministry recognizes that many hospitals have corrections/adjustments to be captured in prior month adjustments. These can continue to be submitted (please ensure to follow the resubmission protocol when submitting). Please ensure all re-submitted reports are received by the Ministry by May 14th, 2021.

Hospitals should only book the revenue amounts up to the accrual amount communicated in the ADM memo, and subsequently book the correct reported expenses.

33. Will the ministry provide a revised attestation/settlement template for operating and capital COVID-19 funding?

The ministry will communicate to the sector should a revised attestation/settlement template be provided. At this time, the deadline to submit the attestation and settlement forms is June 30 2021. Unearned Funds and Broad Based Reconciliation.

Unearned Funds and Broad Based Reconciliation

34. Wondering if the 20% surgical premium funding will be provided by MOH in 21/22? This was a very important initiative to help address surgical backlog.

As part of 2021 Ontario Budget the government announced $300 million to reduce surgical backlogs from delayed or cancelled surgeries and procedures due to the COVID-19 pandemic. The Ministry will announce specifics with regard to backlog investments in the coming weeks.

35. Does the Broad Based Reconciliation approach include COVID-19 reimbursement funding? What other funds will be subject to Broad Based Reconciliation approach?

Yes. The Broad Based Reconciliation Process is a multi-part initiative that will include a review of documentation associated with:

- Lost non-ministry hospital revenues
- Reimbursed COVID-19 Incremental Hospital Expenses
- Unearned funds from select hospital programs that the Ministry and Ontario Health are permitting hospitals to apply to address hospital operating cost pressures (Fund Type 1).

A key aim of the ministry's Broad-based Reconciliation Process for 2020-21 will be to review the hospital documentation associated with each of the above initiatives in conjunction with documentation of hospital operating (Fund Type 1) expenses to make a final determination of:

- What amount of unearned funds from select hospitals programs are not required for hospital Fund Type 1 operating expenses and are appropriate for recovery (if any)
- What final funding amount of lost non-ministry revenue reimbursement a hospital requires (if any)[1] given the impact of other ministry supports.

[1] As noted in the Lost Revenue memo, a hospital is eligible for lost revenue funding **up to** the amount estimated based on a year-end validation process.

As part of this process, the ministry will review hospitals' COVID-19 Incremental Hospital Expense submissions to determine if any expenses related to lost non-ministry revenue (or other MOH funding initiatives) have been supported and reimbursed through that process to avoid 'double funding' the same expenses through different funding streams.

36. When can we expect to receive 2018/19 and 2019/20 PCOP final reconciliations? This will be needed for review by auditors at year-end.

The ministry will provide 2018/19 PCOP reconciliations to applicable hospitals in 2021-22 Q1 and 2019/20 PCOP reconciliations later in fiscal 2021-22.

37. Please confirm/outline how hospitals that reallocated surgical volumes to other regional hospitals to maximize surgical backlog performance will be recognized through the Broad Based reconciliation process.

The Ministry appreciates the efforts of Ontario Health Regions, LHINs and hospitals to perform in-year reallocations in 2020-21 for Quality-Based Procedure (QBP) and Wait Times (WT) funding programs to support surgical ramp-up activities and to maximize the use of surgical capacity in the region. The Ministry recognizes that hospitals that transferred-out QBP and WT volumes and funding to other hospitals have experienced financial pressures and are exploring targeted supports for globally funded surgeries for these hospitals.

38. So should unearned QBP revenue still be recorded as payable until the broad reconciliation piece is complete in F22?

Hospitals can now recognize unearned QBP funding as revenue on their audited financial statements as long as any unearned funds are matched to eligible Fund Type 1 hospital expenses that were not eligible for or submitted to the COVID-19 Incremental Hospital Expense Process.

39. What about shared components of QBPs (e.g., one hospital completes the acute component and another completes the rehab phase)? How will that be managed?

As per the ADM memo, LHIN-managed QBPs and Bundled QBPs are one of the select hospital programs for which hospitals are permitted on a one-time basis in 2020-21, to use unearned funds (after all in-year volume reallocations have been performed) to address hospital operating cost pressures (Fund Type 1) that were not eligible for or submitted to the COVID-19 Incremental Hospital Expense Process.

Hospitals that are QBP bundle holders will therefore be eligible to apply the full bundled QBP price for any bundled QBP volumes not completed to address any Fund Type 1 hospital operating cost pressures. The Ministry is aware that bundle care site hospitals contract with

post-acute care providers to deliver care. Bundled care site hospitals that are retaining unearned bundled QBP funds are expected to work within the contractual agreements they have established with their post-acute providers. Unearned funds should be used according to the agreement that the bundle holder and partner provider have in place.

40. Are hospitals allowed to accrue unearned QBP revenue for the year end?

Unlike lost non-ministry revenue and COVID-19 Incremental Hospital Expenses for the final months of 2020-21 fiscal year, QBP funding has already flowed to hospitals – therefore no accruals are required as the funds have already been received. However, hospitals can now recognize any unearned QBP funding as revenue on their audited financial statements as long as the unearned funds are matched to eligible Fund Type 1 hospital expenses that were not reimbursed through the COVID-19 Incremental Hospital Expense Process. See the answer to question 42 for additional details.

41. Will the QBP volumes managed by CCO be treated the same as the LHIN managed QBPs for the year end?

As per the ADM memo on reconciliation, the Ministry has adjusted reconciliation policies for a select group of LHIN and OH-funded programs. Similar to amendment to LHIN-managed QBPs, amendments to the Ontario Health agreement to permit use of unearned funds from select cancer and renal programs in hospitals to be applied to address cancer and renal pressures in hospitals on a one-time basis in 2020-21 (that were not eligible for or submitted to the COVID-19 Incremental Hospital Expense Process). The cancer and renal programs for which unearned funds can be applied to pressures include:

- **Volume-Based Cancer Programs**
    - Systemic Treatment QBP
    - Cancer Surgery QBP
    - GI Endoscopy QBP
    - 20% COVID-19 Premium for Cancer Surgery QBP
    - Acute Leukemia Treatment
    - Genetic Testing - HER2NEU, BRAF, KRAS, ALK, EGFR, PD-L1, BRCA, LYNCH
    - Cancer Surgery – Hyperthermic Intraperitoneal Chemotherapy (HIPEC)
    - Chimeric Antigen Receptor T-Cell (CAR T) Therapy Volumes
    - Interventional Radiology
    - High Cost Therapy
    - Neuroendocrine tumours (NETs)
    - Ocular Brachytherapy
    - Positron Emission Tomography (PET) Volumes
    - Radiation Volumes
    - Sarcoma
    - Stem Cell Transplants

- **Volume-Based Cancer Screening Programs**
    - Ontario Breast Screening Program (OBSP) Volumes
    - High Risk Lung
    - Fecal Immunochemical Test (FIT)
    - Small Hospital Volume Allocation – not part of GI Endoscopy QBP
- **Volume-Based Renal Programs**
    - Chronic Kidney Disease QBP

The ministry and Ontario Health will work in tandem on broad based reconciliation and a single 'Application of Unearned Hospital Funds' will be provided for hospitals to complete regarding unearned funding from both LHIN- and OH-funded programs.

42. Can the Ministry provide the calculation details for the Broad Based Reconciliation Process? With this information, hospitals' will be able to better estimate the final outcome and create a more accurate accrual for 2020/21.

See March 23rd memo on "Amendments to Accountability Agreements and Broad-Based Reconciliation of 2020-21 Hospital Funding" for reference and the below additional information on ordering and recognition of funds:

- Hospitals should first apply amounts they were told to accrue for COVID-19 Expense Reimbursement for 2020-21 to any remaining COVID-19 incremental expenses. Hospitals should recognize funding up to the amount of COVID-19 incremental expenses they incurred. If there are no supporting incremental expenses, hospitals should not recognize this funding as revenue, as Ministry will flow final amounts based on validation of submitted financial data and attestation receipt.
- Next, hospitals should determine their Fund Type 1 Surplus/Deficit position (do not recognize working capital or lost revenue funding at this stage) and apply any unearned funds from select hospital program up until they achieve an Adjusted Fund Type 1 balanced position.
    - Unearned funds can be applied to any Fund Type 1 pressures, including pressures that results from remaining unreimbursed COVID-19 expenses and lost T fees.
    - Unearned funds from select hospitals programs cannot be used to create a surplus. Such funds can only be applied to cost pressures.
    - Amounts of unearned funds that cannot be applied to Fund Type 1 pressures will be recovered by the Ministry.
    - Hospitals will report how unearned funds are applied and what amount of unearned funding is recoverable back to the Ministry through the Application of Unearned Funds form.
- The final step is that hospitals should recognize **up to** their eligible amount of lost non-ministry revenue. Hospitals should apply lost non-ministry revenue against any remaining clinical service needs not covered by other steps of the process. Lost revenue supports are subject to eligibility criteria and final lost revenue allocations will depend on validation of

hospital financial data, attestations, and Submission of 2020-21 Audited Financial Statements (AFS) from hospitals.

- Hospitals should also recognize any applicable Working Funds **up to** the amount they were eligible to accrue. Working funds support from the ministry are subject to their working funds deficit based on 2019-20 Audited Financial Statements (AFS) and Self-Reporting Initiative Quarterly Reports and based on validation of hospital financial data to ensure consistency across hospitals.

Guidance on Year End Financial Reporting/Accruals

43. In relation to accruals, there is risk as details may not be available in time for year-end audits. Are you suggesting accruing the maximum amounts? This may be challenged by auditors if the details and reconciliations are not available.

Hospitals can accrue up to amounts identified in the ADM memo. The Ministry is in the process of planning a meeting to consult with auditors and address their concerns and questions.