

# LTC Strategic Financial Planning Working Group

## Data Collection and Reporting

### Sub-Group Update

**May 28<sup>th</sup>, 2019**

**Eric Doucette, Chair**



# Attention Grabber

## Is This What We Want for Our Residents, Our Families, Ourselves?



CTV National News: Troubling Nursing Home Stats



Documents show waits for long-term care stressing Nova Scotia hospitals: NDP



Injuries among Nova Scotia nursing home workers caused by residents rising: board



# Reality Check



# Points of Agreement Regardless of Funding Formulas

- Using best practices to improve the quality of life and physical well-being of aging Nova Scotians requiring long term care
- Providing necessary, effective, and cost- efficient health services to a rapidly increasing number of aging Nova Scotians with diverse service requirements
- Providing safe, effective, ethical resident-centred care to residents with complex health challenges, including multiple diagnoses or co-morbidities, and complicating chronic diseases



# Points of Agreement Regardless of Funding Formulas

- Enhancing the skills and morale of staff by improving working conditions, work-loads, and providing ongoing training opportunities
- Strengthening communications with LTC members, residents, families, other health care providers (including those in acute, continuing, and home care organizations), and government to encourage innovation and the adoption of best practices across the sector
- Continuing to make efforts to improve perceptions of the LTC sector



# The Gap:



Resources



Growing Need



# Long Term Strategic Finance Committee- Background

- Long Term Care Strategic Financial Workgroup was established in summer of 2016 (Yr of 1% global budget cuts)
- Established under the auspices of Health Association Nova Scotia (HANS), reporting to the Department of Health and Wellness (DHW).
- The purpose of the working group is to:
  - promote understanding of fiscal challenges share collective concerns and provide feedback
  - create and consult with the sector on proposed solutions and recommendations
  - present solutions for consideration by DHW and NSHA long-term care sector organizations on issues related to fiscal planning and strategy in the long-term care sector.



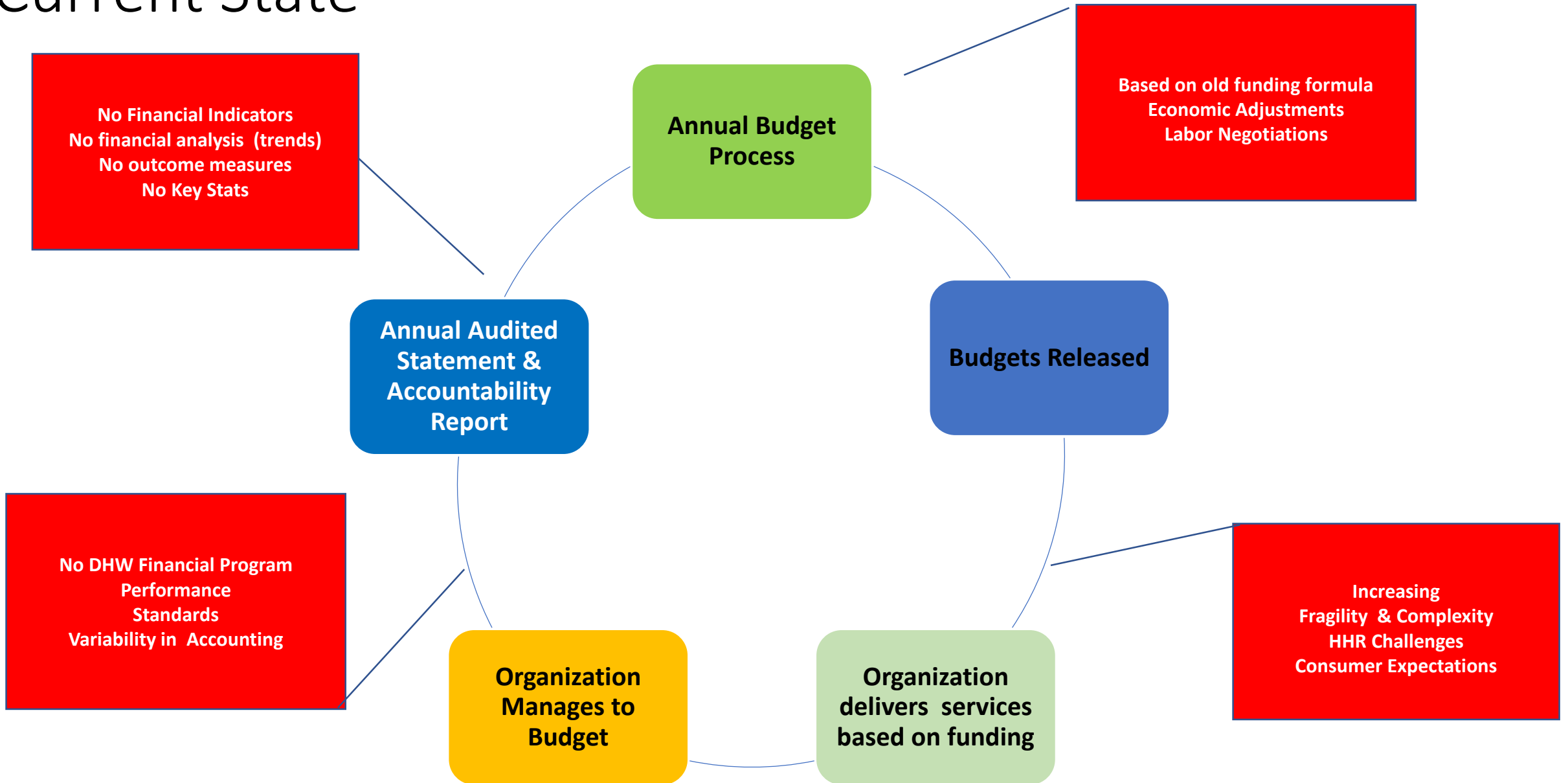
# LTC Strategic Finance Committee- Background

- 5 Subgroups created with defined deliverables
  - Labour & Staffing--- Linked to CCEG & Collective Impact: Absenteeism
  - **Shared Resourcing– Resource Binder to Field**
  - Legislative and Policy Development
  - Models of Care
  - Reporting and Data Collection
    - Develop evidenced-based standardized expense codes, definitions, and consistent reporting tool;
    - Identify relevant statistical and financial indicators so that reliable data is available to inform decision making by both the sector and DHW; and
    - Develop a reference handbook for use by finance directors.





# Current State



# Data Collection and Reporting- Burning Platform for Change



- There is no standardized method of assessing financial performance
  - therefore no strategy for evaluating operations, programs, services and financial stability in long-term care (LTC) organizations
  - No financial indicators/ratios, key statistics measures, financial analysis (trends), or outcome measures
- There is no standardization set out in the form of financial program requirements by the DHW
  - The LTC sector lacks a standard chart of accounts with expense code definitions, SOPs on Financial Management & Administration



# Data Collection and Reporting- Burning Platform for Change

- Current year end accountability report is silent on ratios
- Annual budget process is based on old funding formula
- Increasing fragility and complexity
  - HHR challenges
  - Consumer expectations
- Financial ratio analysis offers the sector a standardized way to assess an organization's overall financial status and provides a way to measure operational effectiveness and efficiency



# Data Collection and Reporting Subgroup: Desired State



- Financial ratio analysis offers the sector a standardized way to assess an organization's overall financial status and provides a way to measure operational effectiveness and efficiency
- Standardization in how LTC organizations code revenue and expenses and report financial information to the DHW is paramount if financial analysis comparing organizations is to be meaningful and valid.
  - Currently, DHW advises that they are unable to complete meaningful financial analysis to inform policy development and/or operational decisions because there is a lack of standardization in how each LTC Facility codes revenue and expenses and reports financial information



## Data Collection and Reporting Subgroup: Desired State



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- Provides an Indication of current financial situation, or sustainability especially as it relates to resident quality of care
- Allows internal organizational and provincial benchmarks to be set



# Anticipated challenges

- Resistance to change/standardization
  - Flexibility, patience, perseverance, ramped implementation
  - Articulate the return on change investment
- DHW Resource challenge
  - Leverage development off Ministry of Health and LTC Policies and procedures:
- Education for Directors of Finance
  - Could be built in as day 2 of Continuing Care Forum update
- Distribution, Access, updates
  - E- available on DHW web page



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# What's Not Changing



- Commitment to running quality homes
- Commitment to quality health outcomes
- Meet LTC Program Standards
- Business Operations
- Make Decisions based on based available evidence/data
- Current Resource Levels



# Reporting and Data Collection Subgroup: Focus of Work to Date

## **Inventory of Past Finance Projects**

- A chronological inventory of financial projects dating back to the 1980's was developed and reviewed

## **Financial Health Ratios/Indicators, KPIs, Financial Statistics**

- Articles containing ratios used to help measure the financial health of a not-for-profit organizations were discussed, and those useful to LTC were identified
- A balance scorecard initially developed by DHW Finance contained a list of financial indicators as well as Internal control indicators, Compliance and Occupancy Rates





# Reporting and Data Collection Subgroup: Focus of Work to Date

## Chart of Accounts, Standardized Expense Codes & Definitions

- Chart of Accounts has been drafted
- Expense codes and definitions for the clinical piece of the balanced scorecard have been drafted

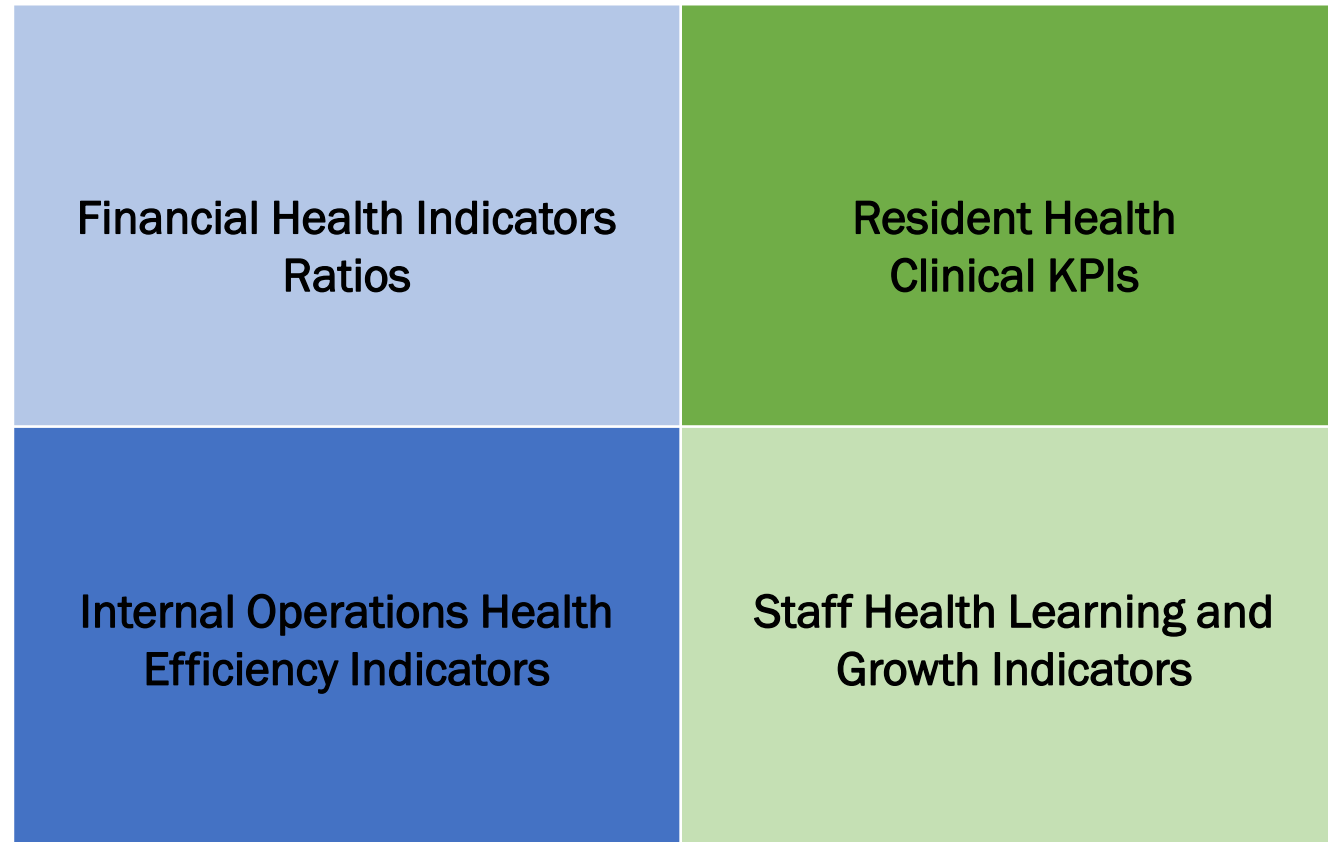
## Balanced Scorecard

- Subgroup has developed a draft balanced scorecard
  - Financial Health, Resident Health, Health of Internal Operations and Staff Health /Learning Development
  - To be presented to the sector for review and consultation



# Data Collection and Reporting Subgroup

## Proposed Balanced Scorecard



# Liquidity Ratios- Current Ratio

- The current ratio measures your company's ability to generate cash to meet your short-term financial commitments.
- It is calculated by dividing your current by your current liabilities
- The higher the ratio (i.e. >2.0) the more liquid the organization
- < than 2.0 may indicate an inability to pay current financial obligations with a measure of safety

Current Assets

(e.g Cash/Inventory/Receivables)

Current Liabilities

(Line of Credit balance, payables current portion of LT debt)



# Liquidity Ratios- Quick Ratio

- Used by Banks to gauge financial stability
- The [quick ratio](#) measures your ability to access cash quickly to support immediate demands. Also known as the [acid test](#), the quick ratio divides current assets (excluding inventory) by current liabilities (excluding current portion of long-term debts).
- A ratio of 1.0 or greater is generally acceptable. It should never be less than 1.0
  - Difficulty in meeting obligations, not able to take advantage of opportunities requiring quick cash

Current Assets

Current Liabilities

Inventory and Prepaid Expenses

(Line of Credit balance, payables current portion of LT debt)



# Liquidity Ratios- Operating Margin

- Important forecasting ratio because it illustrates your organizations ability to produce a potential surplus.
- The operating [profit margin](#) ratio indicates how much surplus a not for profit [company](#) experiences after paying for [variable costs](#) of production such as [wages](#), supplies , etc.
- Ratio range is sector specific

Revenues – Expenses

Revenues



## Efficiency Indicator - Accounts Receivable Aging

- Measures effectiveness of collection functions
- The higher the ratio the greater the impact on cash flow
- Lower ratios suggests prompt payment with favourable impact on cashflow
- Especially important as it relates to collection of resident perdiems

Accounts Receivable >90days overdue

Total Accounts Receivable



## Efficiency Indicator - Accounts Payable Aging

- Measure of health of cash flow
- The higher the ratio the greater the likelihood of inability to continue to pay accounts in a timely manner
- Potential to have increased costs associated with late fees

Accounts Payable Outstanding >90

Total Accounts Payable



# Additional Indicators- Internal Operations

## Resident Day Ratio

- Measures effectiveness of organizational in managing the admission process and minimizing loss days due to ineffective processes, outbreaks etc.
- Considers budgeted occupancy rate
- Ideal ratio 1.0
- the lower the ratio the more ineffective the placement/admission process impacting negatively on per-diem collection

Actual total # of Resident Days

Total # of Available Resident Days (113x365.25x98%)





## Additional Indicators- Internal Operations

- ADT -through put measure
  - Total numbers Admissions, Deaths, Transfers (quarter/year)
- Resident Turnover Rate
$$\frac{\text{Total number of Turnovers (Admissions +Transfers)}}{\text{Total number of available beds x Occupancy Rate}}$$
  - The higher the turnover rate the greater the impact on operational expenses
- Lost Days related to Outbreak Closure



# Additional Indicators – Staff Health (LG)

- Voluntary Turnover of Staff
  - Total number of unit producing voluntary departure
  - Total number of unit producing active staff
- Involuntary Turnover of Staff
  - Total number of unit producing involuntary departures
  - Total number of unit producing active staff
- Current number of vacancies (RN, LPN, CCA) by quarter
- Absenteeism Rate
  - Total absent hours (paid sick, unpaid sick, absent)
  - Total hours worked



# Additional Indicators – Resident Health

- Number of residents with pressure injuries by stage by quarter
- Prevalence by quarter
  - Number of Residents with pressure injuries
  - Total number of Residents
- Incidence by quarter
- Number of new admissions within the quarter who developed pressure injuries )
  - Number of New Admissions who developed pressure injury
  - Total number of new Admissions
- Number of falls per 1000 resident days per quarter
  - Total number of falls x1000 days
  - Total number of resident days



# Key Points

- The Balanced Scorecard would be part of the DHW annual reporting requirement
- Data for the Indicators (Balance Sheet, I&E Statement)
- Enable the DHW to identify cross sector trends, individual organizational health
- Provide DHW with an understanding of organizations who may need further assistance to maintain financial health
- Enable the DHW to have a deeper understanding of the rationale for surpluses/deficits
- Have presented work to date to senior DHW Continuing Care & Finance Staff



## Next Steps

- Academic affiliation to bolster evidence to support work
- Create a chart of accounts with expense code definitions
- Create a DHW Finance SOPs Handbook
- Present Draft Chart of Accounts, Definitions and Balanced Scorecard for review, comments, and suggestions by LTC Sector



# Thank You!

## Sector Members

- Eric Doucette, CEO, Seaview Manor
- Michele Thompson – CEO, RK MacDonald Nursing Home
- Gayle Marie Grant – Director of Finance, RK MacDonald Nursing Home
- Brenda Ennis – Director of Finance, Dykeland Lodge
- Debra Boudreau – Administrator, Tideview Terrace

## DHW Members

- Jeanne Thorne – Lead Financial Advisor

## HANS Support

- Mary Donovan – Director, Member and Partner Engagement
- Sara Limpert-Woods – Policy Analyst, Member and Partner Engagement
- Amber-Lee Nickerson – Policy Analyst, Member and Partner Engagement



# Questions/ Comments

