

DATE: September 18, 2019

REPORT TITLE: **SERVICE LEVEL IMPLICATIONS FOR PEEL PROGRAMS IMPACTED BY PROVINCIAL ENVELOPE FUNDING REDUCTIONS**

FROM: Cathy Granger, Acting Commissioner of Health Services
 Janice Sheehy, Commissioner of Human Services
 Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

RECOMMENDATION

That Peel Paramedics maintains service levels for 2020 with the resources required to meet community needs included as part of the proposed 2020 Budget;

And further, that Public Health maintains core service levels for 2020;

And further, that Long Term Care maintain service levels for 2020 and a mitigation strategy for the Long Term Care shortfall be presented to Council as part of the proposed 2020 Regional budget;

And further, that Council approve \$5.6 million in discretionary cost share to offset a 20 per cent reduction in provincial funding for the Child Care Expansion Plan;

And further, that given the Province's introduction of the Childcare Access and Relief from Expenses (CARE) tax credit, that staff end the Region's Child Care Fee Reduction Initiative to ensure that affordability funds are being used most efficiently.

REPORT HIGHLIGHTS

- The 2019 Provincial Budget has introduced funding changes for municipalities, including a change in cost share for Public Health, the introduction of a discretionary cost share for Child Care and overall reductions in funding for municipally-provided and provincially-mandated services including Long Term Care.
- Savings identified through annual service reviews have partially mitigated the impact of these funding reductions but there are still service risks to the reduced funding. Over the past five years, Peel's robust continuous improvement program has saved more than \$50 million.
- Due to Council's advocacy, the Province reversed its funding freeze for Peel Paramedics. Therefore, no service reductions will be required for 2020 but additional resources will be proposed through the budget to address the 2020 service demand.
- There are no core service implications for cost-share changes to Public Health in 2020 based on Council direction from July 11, 2019. Although savings were identified, additional resources are required to maintain service levels for 2020.

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- Reduced funding for Long Term Care could include delays in the introduction of more Butterfly Homes, reduced hours of care for residents and the inability to meet the Council-directed objectives of the Aging Population Steering Committee of Council therefore funding to maintain service levels is recommended.
- Reduced funding for Child Care could result in the creation of significant wait lists for child care fee subsidy and/or children with special needs, and the need to end supports that make child care more affordable for working families that don't qualify for subsidy. Therefore, staff recommends the addition of \$5.6 million in discretionary cost sharing to ensure that there will not be a wait list for fee subsidy or special needs services.
- Looking beyond 2020, it is anticipated that Child Care will see additional pressures in future budget years due to the deferral of cuts to 2021 and 2022. Public Health will see additional shift to a 60/40 cost share model in 2021, but this has not been confirmed.
- At the Association of Municipalities of Ontario (AMO) conference, the Province announced several of these revised positions, although the appropriate Ministries have not yet officially confirmed all proposed changes. This report describes what is known at the time of writing and is subject to change as funding letters are received.

DISCUSSION

1. Background

On April 11, 2019, the Province released its 2019 Budget with additional details in the weeks that followed. There has been a significant impact on municipalities across Ontario as the Province works to lower its deficit. Significant funding reductions and/or freezes, as well as changes in cost share arrangements, were announced for Paramedics, Early Years and Child Care, Long Term Care, Public Health and Employment Support.

On June 27, 2019, Regional Council directed staff to develop and implement a communications campaign to communicate to Peel residents the scope of public health and paramedic services currently available in Peel, as well as the potential impact of the proposed Provincial changes to these sectors.. A summary report on this campaign will be brought to Regional Council on October 10, 2019.

At its July 11, 2019 meeting, Regional Council addressed budget implications related to increases in the provincial cost share for Peel. Council directed staff to work toward a revised 3.9 per cent budget and report back on strategies to address significant provincial funding envelope reductions, specifically in the areas of Paramedics, Long Term Care and Early Years and Child Care. Funding envelope reductions related to Employment Support were presented to Regional Council on July 11, 2019 in the report "Addictions Services Initiative" and will not be addressed further within this report.

Table 1 below provides the estimated financial impact to Peel resulting from the changes in Provincial funding for the 2020 Budget and from 2021 to 2022. These figures have continued to evolve since last reported to Council on September 12 and will likely continue to evolve over the coming months. For Public Health, the impact of the shift to a 60/40 cost share model for 2021 is still not clear and likely won't be clear until the 2021 funding letter is received.

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Table 1: Updated Provincial Funding Impacts

Region of Peel Service	Provincial Funding Envelope Reduction/ Shortfall 2020 (\$ millions)	Shift in Cost Share from the Province to Peel 2020 (\$ millions)	Total Provincial Funding Impact 2020 (\$ millions)	Additional Provincial Funding Impact 2021 to 2022 (\$ millions)
Child Care	17.8*	0.0	17.8	6.0
Paramedic Services	0.0	0.0	0.0	0.0**
Long Term Care	0.9	0.0	0.9	0.0**
Employment Support	0.8	0.0	0.8	0.0
Public Health (For formerly 100 per cent Provincially-funded programs)	0.9	2.4	3.3	4.3
Provincial Funding Impact – Region Controlled Services	\$20.4M	\$2.4M	\$22.8M	\$10.3M
Peel Regional Police	2.6	0.0	2.6	0.0**
Conservation Authorities	0.6	0.0	0.6	0.0**
Provincial Funding Impact – External Agencies	\$3.2M	\$0.0M	\$3.2M	\$0.0**M
Provincial Funding Impact – Total Region of Peel	\$23.6M	\$2.4M	\$26.0M	\$10.3

* The \$17.8 million includes a \$5.6 million (20 per cent) reduction in provincial funding for the Child Care Expansion Plan. This \$5.6 million was originally presented as a mandatory cost share required to receive any expansion funding, but subsequently changed to a non-mandatory or discretionary support for 2020. It may be requested in 2021 and beyond. Without these funds, there will be service impacts which are outlined in this report under Early Years and Child Care section.

** Forecast year reductions, if any, have not been provided by the Province.

As reported to Council with each annual budget, the Region has a robust continuous improvement program in place. Tactics include LEAN process improvement, program

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evaluation and review of service delivery models. Over the past five years, these efforts have resulted in cost savings and/or avoidance of over \$50 million across the Region or the equivalent of 5 per cent of the net tax levy.

In the years prior, the Region also made several Council-directed changes to improve efficiency and service outcomes in the areas affected by Provincial cuts and/or freezes, including the:

- Introduction of the divisional model in Peel Paramedics (2007; completed 2019)
- Closure of Region of Peel operated child care centres and transition to a system that subsidized more children in less-costly private/commercial and not-for-profit child care settings (2012)
- Focus on the delivery of high-quality, sustainable services for seniors that are “regularly reviewed to reduce duplication, identify efficiencies and ensure outcomes are achieved.” (2013; Aging Population Steering Committee of Council)

The purpose of this report is to provide Council with a summary of potential service implications or risks related to Provincial envelope funding changes and an update on the impact of changes to provincial funding.

2. Peel Regional Paramedic Services

Due in part to municipal advocacy efforts, the Province reversed its previous decision to freeze Paramedic funding at 2017 service levels. At the recent Association of Municipalities of Ontario (AMO) Conference, the Province announced it would provide an additional 4 per cent in funding to land ambulance across Ontario for each of 2019 and 2020. As a result, there will not be any service reductions for Paramedic Services for 2020 due to Provincial changes. Paramedic Services will be proposing through the 2020 Budget, additional resources to address the 2020 service demand.

3. Public Health

While transformation of Public Health across Ontario continues, municipal advocacy efforts have helped influence the direction of some of these changes. At the Association of Municipalities of Ontario (AMO) conference, the Province announced the 70/30 provincial/municipal cost share for programming, which was scheduled to be retroactive to April 1, 2019, will now become effective on January 1, 2020. The Province has not yet confirmed the details to reduce its cost share to 60 per cent in 2021.

The current cost share for all mandatory public health programs between the Province and the Region is approximately 66 per cent and 34 per cent, respectively. Public Health received the same funding from the Province in 2019, as in 2018 (\$54 million) (see letter from the Minister of Health, Regional Council September 12, 2019), and expects to receive this same amount in 2020 which represents a potential funding shortfall of \$0.9 million depending on how the Province implements the cost share shift for the 100% funded programs.

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As in previous years, the funding does not fully recognize population growth and other unique health needs in Peel, so the service demand is not completely funded. This funding also does not address cost of living increases.

These changes affect all programs, including those already cost-shared and currently 100 per cent provincially funded programs. In addition to changes in existing funding, the Province also announced the new Ontario Seniors Dental Care Program, for which the Region received \$3.9 million, will be 100 per cent provincially funded.

3.1 Service Risks

Should the Province choose to continue with 2018 funding levels in 2020, this will result in, as mentioned earlier, a potential \$0.9 million shortfall in funding. As in previous years, the funding does not fully recognize population growth and other unique health needs in Peel, so the service demand is not completely funded. This funding also does not address cost of living increases. Staff will report back as further information on 2020 provincial funding becomes available.

3.2 Potential Efficiencies to Offset Known Reductions

Public Health reviewed its budget for low-risk areas where in-year financial efficiencies could be found following the spring Provincial budget announcement. Staff was able to find efficiencies across program areas through a combination of \$0.2 million in savings and additional cost-avoidance by delaying or deferring some work, allowing Public Health to maintain service levels in the short-to-medium term despite growth and cost of living and salary increases.

Efficiencies of \$0.2 million have already been identified in low-risk areas and will be built into the base budget for 2020 and future years. However, there is a risk that reducing Public Health's approved budget for 2020 could compound the potential remaining decrease (\$0.7 million) in the Province's funding share.

3.4 Recommendation

Staff's recommendation is to maximize chances for more external funding and to include the additional \$0.7 million in the 2020 Budget to maintain core service levels for 2020.

4 Long Term Care

As described in the July 11, 2019 Council Report, *Strategies to Address the Provincial Funding Cuts*, Long Term Care has an expected shortfall of \$0.9 million due to Provincial cuts to its funding envelope. This includes the removal of two key funds:

- Structural Compliance Premium Fund, which supported facilities maintenance, and
- High Wage Transition Fund, which helped address higher than average wage costs.

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4.1 Service Risks

The people who live in Peel's five Long Term Care homes, as well as their families, would experience significant service impacts with a \$0.9 million shortfall. This includes high risk areas such as:

- Delays in the implementation of the Butterfly Model, which would reduce the level of emotional care for residents and delay associated reductions in falls, responsive behaviours, staff sick time, use of psychotropic medication and other outcome measures.
- Reductions in individual care hours due to hiring freezes or unfilled staff positions.
- Inability to meet Council's direction related to the objectives of the Aging Population Steering Committee of Council.

4.2 Efficiencies to Offset Known Reductions

Long Term Care has a long-standing commitment to continuous quality improvement as part of its fulfilment of the Ontario *Long Term Care Homes Act (2007)*.

As referenced above, Regional Council directed staff, through the Aging Population Steering Committee of Council (2013), to focus on the delivery of high-quality, sustainable services for seniors that are "regularly reviewed to reduce duplication, identify efficiencies and ensure outcomes are achieved."

Upon notification of funding envelope cuts, Long Term Care reviewed its budget to identify any financial efficiencies in low-risk areas. While minimal cost-savings were found, Long Term Care did identify approximately \$0.4 in cost avoidance measures associated with decreased resources needed for Butterfly implementation. This was made possible through a partnership with Mississauga-Halton LHIN and the use of a different staffing model. Staff will continue to review and enhance the Butterfly staffing model to maximize resources while ensuring Butterfly outcomes are attained.

4.3 Options to Offset Remaining Provincial Cuts

Long Term Care could not find \$0.9 million to offset the remaining shortfall due to Provincial funding cuts to its funding envelope. This shortfall will be reviewed and analyzed as part of the Region's annual budget process and a mitigation strategy will be presented to Council as part of the proposed 2020 Regional budget.

4.4 Recommendation

Staff's recommendation is to maintain service levels for 2020 as staff believe the risk to the quality of service is too high. However, staff will continue to focus efforts on identifying efficiencies and cost avoidance measures through their continuous quality improvement work.

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5 Early Years and Child Care

The priorities that Regional Council endorsed for the Early Years and Child Care system for the next five years are: affordability, inclusivity, quality, accountability and accessibility. Earlier this year, the Province announced cuts that would result in a \$17.8 million shortfall in program funding that had the potential to seriously impact achievement of these priorities. At the July 11 meeting, Council approved the cessation of the Fee Stabilization program. The program's \$4.9 million in costs were 100 per cent funded by the Province. The remaining funding cut of \$12.9 million includes a \$5.6 million reduction in provincial funding for the Child Care Expansion Plan. The service impacts of the funding cuts are outlined in Section 5.1.

Due in part to municipal advocacy efforts, the Province recently deferred some of the expected reductions in funding that were originally planned for 2020:

- Effective January 1, 2021, the Province will implement a 50/50 cost share with the Region for administrative expenses.
- Effective January 1, 2022, in addition to the 50/50 cost share, the Province will cap the amount of provincial funding the Region can spend on administration to five per cent (from 10 per cent).

5.1 Service Risks

While the deferral of some of the funding cuts provides a degree of relief for the Child Care program and the Region's 2020 budget, the remaining reduction in provincial funding related to the Child Care Expansion Plan would immediately impact children and families accessing child care in Peel. Specifically:

- **Multiple Wait Lists:** The Region currently has no wait lists for child care or special needs services. This reduction would create significant wait lists for fee subsidy (approx. 1,000 children) and/or special needs support (approx. 1,100 children) effective December 2020. Wait lists can represent a barrier to parents and guardians returning to the workforce or remaining in it.
- **End Affordability Support for Working Families:** Elimination of the Region's Child Care Fee Reduction Initiative, thus ending supports that help make child care more affordable for working families that do not qualify for subsidy. Families may be forced to redirect money from their household budgets to pay the high cost of licensed child care.

To partially offset the impact of the reduced funding however, parents and guardians will be eligible for some financial relief with the Province's new refundable *Childcare Access and Relief Expenses (CARE)* personal tax credit, which was announced in the April 2019 budget. The Province anticipates that this credit, which will be available for the 2019 tax period, will provide eligible low- and moderate-income families with up to 75 per cent of their eligible child care expenses.

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5.2 Efficiencies to Offset Known Reductions

Program Efficiencies

Upon notification of funding cuts in the Spring Provincial budget announcement, Early Years and Child Care reviewed its budget for low-risk areas where savings could be found and identified \$2 million through attrition and internal efficiencies.

Fee Subsidy Review

In July 2019, the Region applied for the Province's new Audit and Accountability Funding. In August, the Region was approved and hired a consultant to complete a review of the Child Care Fee Subsidy Program. This review will find efficiencies and outline specific and actionable recommendations to save costs and strengthen accountability. This report will be delivered by year-end and the findings will be shared with Regional Council.

Redesign Child Care Rate Reduction Supports for Families

Based on the reductions in provincial funding and introduction of the Provincial Childcare Access and Relief from Expenses (CARE) tax credit, staff will redesign the Region's Child Care Fee Reduction Initiative. A new strategy for rate reduction will ensure that affordability funds are being used most efficiently to target high child care rates in Peel. Staff will be returning to Council with details of this strategy as part of a broader model that redesigns the way licensed child care providers are funded. In 2018, approximately 12,000 children aged zero to four were supported through the Child Care Fee Reduction Initiative, which reduced child care costs for families at all income levels.

These financial efficiencies will help Peel reshape its programming in preparation for future budget years when deferred cuts are re-introduced.

5.3 Recommendations to Offset Remaining Provincial Cuts

Staff recommends the following to help mitigate the \$12.9 million in Provincial reductions:

- That Council approve \$5.6 million in discretionary funding to offset a 20 per cent reduction in provincial funding for the Child Care Expansion Plan.
- That the remaining \$7.3 million not be funded by additional Regional investment. Instead, the Region will prioritize fee subsidy and special needs services, and end the Child Care Fee Reduction Initiative. The Province's new CARE tax credit is expected to provide low- and moderate-income families with additional relief of up to 75 per cent of their eligible child care expenses.

Council's approval of these recommendations would ensure that:

- Families in Peel will be able to access fee subsidy without being on a lengthy wait list.
- Children who benefit from special needs resourcing will continue to receive the support they need.

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- The existing program which provides special needs supports to children in before-and-after-school licensed child care programs will continue.
- Staff can continue to explore the most effective ways to make child care more affordable for working families that don't qualify for child-care subsidy.

In addition, Regional staff will continue to look for further efficiencies as Peel prepares for the Provincial funding reductions in 2021 and 2022.

6. Anticipated Funding Changes for Future Budget Years

This report addresses the immediate impacts of funding changes for the 2020 budget year and addresses possible changes to provincial funding from a late August announcement from the Province.

Since the Province only provides allocations one year at a time, staff cannot anticipate if further Provincial cuts may be made to funding envelopes for 2021 and beyond.

The Region will continue to demonstrate leadership in the delivery of effective and tax-efficient programs in all areas and advocate to the Province for appropriate funding levels to support the residents of Peel.

FINANCIAL IMPLICATIONS

The total estimated 2020 provincial funding impact to Peel, based on what was known at the time of the writing of this report including external agencies, is \$26.0 million; \$23.6 million for funding envelope reductions/freezing and \$2.4 million for shifts in cost share to Peel. There is also an additional impact of \$10.3 million for 2021 and 2022, bringing the total impact to Peel to \$36.3 million.

On July 11, 2019, Council approved the inclusion of the cost share shift as part of the 2020 Budget target. Council also requested that staff report back to Council with the risks to 2020 service demands resulting from the funding change and strategies to mitigate those risks. The following table summarizes the recommended strategies and associated financial impacts:

The recommendations proposed in the report, "Service Level Implications for Peel Programs Impacted by Provincial Funding Envelope Reductions" have a total budget impact, as outlined in the table below, of \$7.4 million.

Service	Recommendation	Proposed Budget Approach	Financial Impact to the 2020 Budget
Paramedics	Maintain service levels for 2020 with no decrease in service levels as funding is no longer frozen for 2020.	Resources to meet the service demands for 2020 to be included as part of the 2020 Budget proposal.	\$0 M
Public Health	Maintain core service levels for 2020 which will maximize chances for more external funding	After recognizing identified savings, the 2020 Budget would include additional resources to maintain	\$0.7 M

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		service levels and to offset the risk of the potential funding shortfall.	
Long Term Care	Maintain service levels for 2020 by leveraging efficiencies to address part of the funding envelope shortfall of \$0.9 M	Continue to work on cost avoidance measures and Identify additional strategies through the budget to address funding shortfall.	\$0.9 M
Early Years and Child Care	Continue to deliver service with no wait list for fee subsidy or special needs by adding \$5.6 million to offset a 20 per cent reduction in provincial funding for the Child Care Expansion Plan. Reallocate and deploy existing non-mandatory Regional investment in child care, as required, to manage program and budget pressure. End the Region's Child Care Fee Reduction Initiative, which supports affordability.	Invest \$5.6 M to meet the 20 per cent funding reduction.	\$5.6 M
TOTAL			\$7.2M

CONCLUSION

The provincial funding changes have a significant impact on a number of Peel's key programs with reduced funding increasing the risks to current service levels. Due to Council's advocacy and Peel's ongoing continuous improvement efforts, part of the service level risks has been mitigated. To maintain service levels to Peel's community, staff have recommended increases to 2020 Budget to mitigate the impact of reduced in high risk areas. Strong planning and a continued focus on continuous quality improvement in all programs will help support changes related to future reductions and pressures from Peel's growth. Council's direction will support effective and appropriate service delivery to support Peel residents.

Cathy Granger

Cathy Granger, Acting Commissioner of Health Services

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Service Implications of Provincial Envelope Funding Reductions

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Region of Peel

Provincial Funding Impact

Funding shortfall of \$35.8M is an improvement of \$9.3M over the initial \$45.1M shortfall

Year	Decreased Funding	Net Tax Levy Impact	Impact to Typical Home Owner
2020	\$25.5M*	2.3%	+\$45/ year
2021 - 2022	\$10.3M*	1.0%	+\$18/year
Total Impact	\$35.8M*	3.3%	+\$63/year

Note: Figures are estimated based on what is understood at the time the report was written

Updated Financial Impact of Provincial Funding Changes


Provincial Funding Impact

Region of Peel Service	Envelope Reduction/Shortfall 2020	Cost Share Shift 2020	Total Funding Impact 2020	Additional Future Impact 2021 - 2022
Child Care	\$17.8	\$ -	\$17.8	\$6.0
Paramedic Services	-	-	-	-
Long Term Care	0.4*	-	0.4	-
Employment Support	0.8	-	0.8	-
Public Health	0.9	2.4	3.3	4.3**
Total Region Controlled Impact	\$19.9M	\$2.4M	\$22.3M	\$10.3M

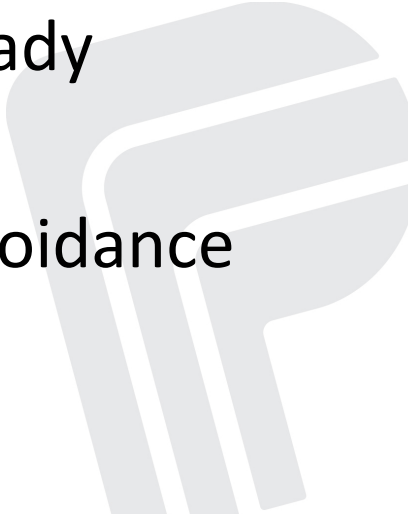
*Figures reflect the recent Provincial announcement for additional funding to Long Term Care changing the reduction from \$0.9M to \$0.4M till the end of 2020

** not confirmed

Paramedic Services

- Funding freeze at 2017 level reversed.
 - Province pledged 4 per cent increase in funding for land ambulance across Ontario for 2019. We are still waiting for confirmation about 2020 and 2021 funding.
 - No immediate service implications, but this funding does not address growth in calls.
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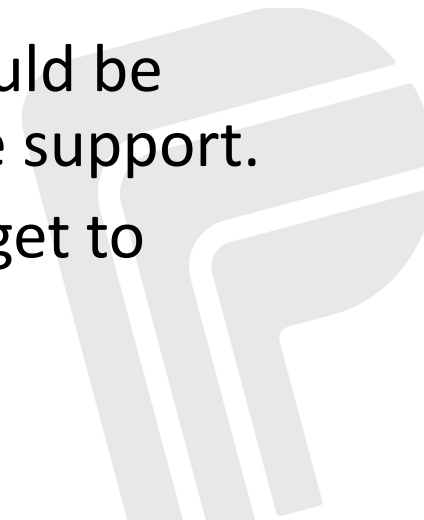
Long Term Care

- Province postponed known cuts last Friday.
 - Expected shortfall now \$0.4 million till the end of 2020.
 - \$0.4 million cost-avoidance measures already found.
 - No service risks. Continue focus on cost avoidance and efficiencies.
- 

Public Health

- 70/30 cost share starts Jan. 1, 2020. Includes most 100 per cent funded programs, except seniors dental.
- Public Health received same funding for 2019 as received in 2018. Expect continued freeze for 2020.
- As in previous years, provincial funding does not address growth or unique health needs in Peel.

Public Health

- Potential shortfall of \$0.9 million, offset by \$0.2 million in low-risk efficiencies and cost avoidance.
 - Risk to community health, as Public Health must delay or defer work to avoid costs.
 - Additional risk that any budget reduction would be compounded by Province in future cost share support.
 - Recommend \$0.7 million added to 2020 budget to maintain core service levels.
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Early Years and Child Care

Provincial funding reduction:	\$17.8 million
End of Fee Stabilization Supports	<u>-\$4.9 million</u>
Shortfall for 2020:	12.9 million
Recommendations:	
Request for funding	5.6 million
End Fee Reduction Initiative	7.3 million

Early Years and Child Care

Recommendation:

- Invest \$5.6 million to address shortfall
- Avoid waitlists for fee subsidy (up to 1000 children) or special needs services (up to 1,100 children)



Early Years and Child Care

Recommendation:

- With introduction of Childcare Access and Relief from Expenses tax credit, end Rate Reduction Initiative (\$12/day for FT, \$6/day for PT children)
- \$7.3M shortfall is not funded through Regional tax dollars.



Questions?

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