

# OUTLOOK

AIB's Series Of Sectoral Research Reports.  
[www.aib.ie/outlook](http://www.aib.ie/outlook)

ISSUE 9. OCTOBER 2014.

---

## LONG TERM CARE

---

In association with:

**NHI**   
nursinghomesireland







### Foreword

**02** **Ken Burke**, Head of Business Banking, AIB.

### Executive Summary

**03** A summary of the key findings of the **AIB/Ipsos MRBI Survey** on Ireland's long-term care sector.

### Uncertainty Stifling Prospects for Expansion

**04** While the future should be bright for the long-term residential care sector in Ireland, uncertainties about the Fair Deal rate, the cost of compliance and the recruitment of suitable staff are just some of the key issues preying on the minds of nursing home operators around the country, according to the **AIB/Ipsos MRBI survey**.

### Meeting the Demands of Ireland's Ageing Population

**13** With 440 private and voluntary nursing homes, caring for over 22,600 people, the Irish nursing home sector is a vital and deeply embedded component of the Irish health service, according to **Tadhg Daly**.

### Challenges and Opportunities

**16** **Anne Bannon**, Head of Healthcare, AIB Business Banking outlines some of the challenges facing the sector and highlights some of the opportunities.

### The Investment Challenge

**18** Considerable investment will be needed in the nursing home sector over the coming years if it is to address the capacity issues that it faces, according to **Brian McEnergy** of BDO.



### Joining Up the Dots

**20** While there may be no quick-fix solutions to the challenges facing policy makers in relation to Ireland's ageing population, many issues can be resolved if the right policies are embraced, according to **Professor Charles Normand**.

### Support From The Community

**22** The CEO Of the Mater Hospital, **Mary Day**, says that the health service needs a greater variety of community-based medical and care supports to alleviate the pressure within the acute hospital system.

### Bridging the Equity Gap

**23** The inclusion of nursing homes under the Employment Incentive & Investment Scheme (EIIS) should help the sector plug the equity gap.

### Enforcing Compliance

**24** The Health Information and Quality Authority (HIQA) has played a major role in ensuring important regulations and standards are enforced in the residential care sector, according to **Phelim Quinn**, Director of Regulation with HIQA.

### One Bank Approach to Healthcare

**26** AIB is supporting the development of the Irish long-term care sector through a range of financing options and initiatives including a new €300 million Healthcare Fund.

### Serving Local Communities

**28** Several AIB customers operating in both the residential and home care sector are leading the way for the rest of the industry.



Certain opinions and comments expressed in this Outlook Report do not necessarily reflect those of AIB plc or its subsidiaries.

Allied Irish Banks, plc is regulated by the Central Bank of Ireland.



# SUPPORTING LONG - TERM CARE

Welcome to the ninth in our series of reports covering key sectors within the Irish economy. The aim of these reports is to analyse key components of the Irish economic landscape and provide opinion, guidance and advice from some of the stakeholders within each sector. They also provide some important insights into how AIB is working to support these sectors. For this report we have turned our attention to healthcare given its importance to the economy and more specifically to the long-term care sector. We are pleased to partner with Nursing Homes Ireland in the publication of this Long-Term Care Sector Outlook Report.

An important dimension of the report is specially commissioned in-depth and independent research on the sector which was carried out by Ipsos MRBI. In this instance the research has been carried out among private and voluntary nursing home operators. The research findings highlight the challenges and opportunities facing nursing home operators as well as their plans for expansion to meet the growing needs of our elderly population.

A significant challenge facing the long-term residential care sector is capacity. Our survey shows that the current capacity of long-term residential care is struggling to keep up with the growing demand, with many nursing homes at full occupancy and even over-subscribed. With the CSO forecasting a 38% increase in the number of people aged 85+ by 2021, there is a significant shortage of capacity on the horizon. The need for all stakeholders in the long-term care sector to work together to address this issue is critical.

Another significant challenge facing the sector is the high level of patient dementia within nursing homes. Our research evidenced that 70% of nursing home operators saw an increase in the percentage of patients with dementia in the past three years and while less than 20% currently have a specialised dementia unit it is encouraging to see that 20% of nursing home operators surveyed are



**TADHG DALY, CHIEF EXECUTIVE OF NURSING HOMES IRELAND, ANNE BANNON, HEAD OF HEALTHCARE, AIB BUSINESS BANKING AND KEN BURKE, HEAD OF BUSINESS BANKING, AIB.**

planning to develop a specialised dementia unit in the next three years.

The scale of the challenges that lie ahead for the long-term care sector are substantial but there is a recognition amongst the key stakeholders that they are not insurmountable. Recent changes in Budget 2014 providing for an additional €25 million to tackle delayed discharges from acute hospitals and the inclusion of nursing homes under the Employment and Investment Incentive Scheme (EIIIS) are to be welcomed. In particular, the EIIIS should help nursing home operators plug the equity gap with potential additional funding from external investors to help with their expansion plans.

AIB recognises that the sector is a major contributor to local economies across the country, employing 24,000 people directly who between them contribute €185 million to the Exchequer in taxation. So apart from being an integral part of the healthcare landscape, nursing homes make a significant economic contribution to the communities they serve.

As Ireland's Number One business bank, AIB recognises that it has an important role to play in supporting this vital sector, and its future growth requirements. To demonstrate our support we are launching a €300 million Healthcare Fund. This fund will support the healthcare sector and in particular will help nursing home operators to expand, build, or acquire new nursing homes. This fund will also support funding for other key healthcare services required across the country.

We also have dedicated sectoral expertise supporting our Business Banking and Corporate businesses who have the knowledge and expertise to assist those looking to invest in the sector.

My thanks to our partner Nursing Homes Ireland for its co-operation on this important initiative to support the sector and to Ipsos MRBI for carrying out the research. We are also grateful to everyone who participated in the survey. I hope you find this report insightful and useful.

**Ken Burke**  
Head of AIB Business Banking

# CAPACITY CHALLENGES AHEAD

Providing residential care for over 27,000 elderly people nationwide, nursing homes play an important role in the day-to-day social fabric of Ireland and act as a pivotal focus point for the State in the deployment of medical and care services for the country's ageing population.

The long-term care sector, however, is facing stiff challenges if the expected demand for beds by 2021 is to be met. The number of people aged 65+ is expected to increase by 38% over the next seven years and this will place unprecedented demand on the health service and the level of care and supports they offer older people. With an estimated shortfall of 8,000 beds anticipated by 2021, a sense of urgency prevails.

Research carried out by Ipsos MRBI for this Outlook Report underlines many of the key challenges facing the sector. 119 owners and operators of nursing homes throughout Ireland took part in the in-depth research, representing a relatively high 35% response rate for research of this kind. Geographically, 20% of the nursing homes surveyed were in the Dublin area, 23% in other urban areas like Cork, Galway and Limerick while the balance, 57%, operated in towns and rural areas around the country.

The research shows that the sector is already struggling to keep up with the growing demand with many nursing homes operating at full capacity according to the survey. The average occupancy rate is running at circa 95% across all homes, rising to 97% in urban areas compared to 93% in small towns/rural areas. The average occupancy rate in the Nursing Homes Ireland Annual Private Nursing Home Survey 2009/10 was 86.4%.

Worryingly, the research also shows that all operators of long-term care facilities are predicting that demand will increase over the next three years with just 43% forecasting an increase in their existing capacity while 81% reckon the sector will not have the capacity to meet demand over the coming years.

Most of the nursing homes surveyed are planning some form of investment to boost capacity or add new services while others are planning on investing in operational efficiencies, including light and

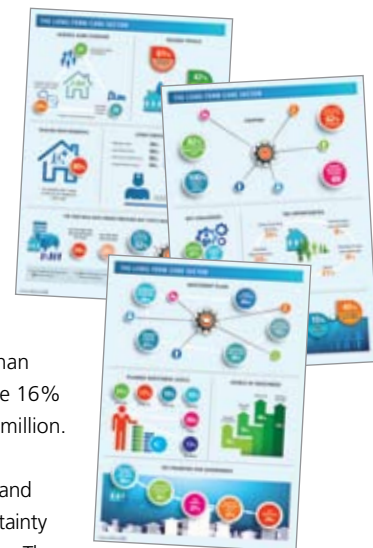
heat. Of respondents, 35% are planning on extending their existing premises, 19% are planning on building a new facility and 20% are planning on adding a specialist dementia unit to their operations.

In terms of the scale of the investment, the survey shows that 31% are planning to invest less than €250,000 while at the other end some 16% are planning to invest in excess of €5 million.

A possible deterrent to this investment, and cited by many respondents, is the uncertainty surrounding the current Fair Deal scheme. The importance of the Fair Deal to the day-to-day operations of a typical nursing home is borne out by the fact that 89% of all residents are dependent on the Fair Deal scheme which in turn means that nursing home operators are equally dependent on it for their income. At a time when costs are rising, some 74% of the respondents surveyed said that their Fair Deal rates had either decreased or remained the same. With possible changes to the Fair Deal scheme coming down the line, many of those surveyed called for a more open, fairer and transparent pricing mechanism to be introduced.

The increase in costs has been particularly felt in the areas of staffing, compliance and utilities. Given that most nursing homes are labour intensive, with staff costs amounting to an average of 62% of total revenues, there is little room for manoeuvre as most of their other costs are fixed and have been rising steadily over the past few years. Recruiting staff, too, was seen as a big challenge for many operators.

These challenges are reflected in the views of the different respondents in terms of how they see the future of their businesses. Only 10% were of the opinion that the outlook would improve within one year while 30% said it would improve within three years. A majority of 60%, however, believed that it would take at least five years or more for it to improve.



### Other key findings of the Ipsos MRBI research include the following:

- 47% of all residents of nursing homes have dementia but only 20% have specialist dementia care facilities. In addition 70% of those surveyed say they have seen an increase in the number of residents with dementia-related conditions.
- Some 61% of all residents are aged 85+.
- Demand for places in nursing homes is strong and 94% of the homes that are fully occupied have a waiting list.
- Nursing homes offer a variety of services to their residents, the most widely available of which is palliative care (93%), internal services like physiotherapy, dental and hair-dressing (93%) and short-term convalescence (82%).
- Funding for any planned expansion will come from a variety of sources including bank loans (46%), retained earnings (34%), personal funds (16%) and external investment (10%).



# UNCERTAINTY STIFLING

# PROSPECTS FOR EXPANSION

**The future should be bright for the long-term residential care sector in Ireland, with the growing demand for places in nursing homes likely to be maintained, yet uncertainty over Fair Deal rates, HIQA compliance costs and recruitment of suitable staff are just some of the concerns adversely impacting the outlook for providers, according to the findings of an AIB/ Ipsos MRBI survey.**

From having one of the youngest populations in Europe, Ireland is now rapidly catching up with its neighbours in terms of its ageing demographic profile. According to CSO forecasts, the number of people aged 65+ is set to increase by around 200,000 people, or by 38%, over the next seven years. Inevitably, such significant increases in the older population will place an unprecedented level of demand on care supports and services for the elderly, not least on long-term residential care or nursing home care, the main focus of the survey. Research elsewhere indicates that nursing home demand for those aged 85+ (a cohort which is forecast to increase by 46%), doubles compared with those aged 80-84.

Nursing homes provide long-term residential care for over 27,000 people (in private, public and voluntary beds) and directly employ approximately 24,000 people. Importantly, nursing homes provide more appropriate care for those who can no longer be looked after at home, while offering significant cost savings to the State compared with care in an acute hospital setting. This, in turn, allows for a more effective allocation of resources among the rest of the population in need of hospital care.

## MEETING THE DEMAND

As highlighted in the survey, there are signs that the current provision of long-term residential care is struggling to keep up with the growing demand, with many nursing homes operating at full capacity and even

## METHODOLOGY

Ipsos MRBI conducted a telephone survey, on behalf of AIB and in association with Nursing Homes Ireland, among the owners and operators of 119 nursing homes across Ireland. This represents a high response rate of 35% of all private and voluntary nursing home operators. Interviews covered a wide range of topics, from understanding the current situation in terms of capacity, occupancy, patient profiles, staffing and services provided, to investment and financing plans, as well as challenges and opportunities for nursing homes. Fieldwork took place from 15th – 26th September 2014.

Of those respondents surveyed, the majority were female (57% vs. 43% male), spread across all age groups. Some 24% were aged under 45, through to 10% who are aged 65 or more. Around 13% of those interviewed are responsible for more than one nursing home.

Geographically, 20% of nursing homes surveyed were based in the Dublin area, a further 23% based in other large cities and towns while the remaining 57% were located in small towns/ rural areas. A spread in size of operation was also achieved, ranging from 19% of homes with up to 25 residents in total, to 13% of the sample with over 100, averaging out at 55 residents per nursing home operation.

over-subscribed. The average occupancy rate is 95% across all homes, rising to a slightly higher level of 97% in urban areas (i.e. Dublin, large cities and towns), compared to 93% in small towns/rural areas.

A shortage of beds looms large on the horizon for most homes and respondents expect the demand for beds to increase in their local catchment area over the next three years. However, just 43% consider the number of beds they have will increase over the same time-frame while 48% consider the number will remain the same with even 8% foreseeing a decrease. Indeed, over four in five (81%) are of the view that the sector will not have added sufficient capacity to meet

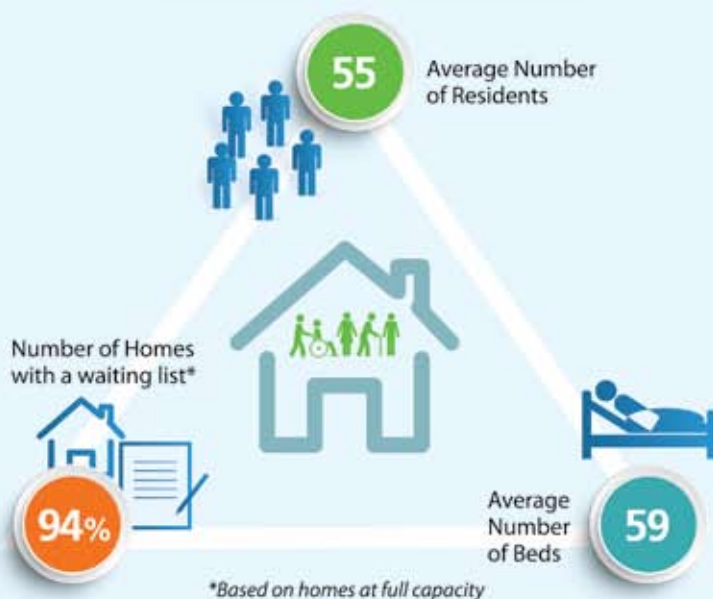
the anticipated increase in demand over the coming years. The need for significant future investment in the sector is all too obvious.

Nursing homes have also seen some dramatic changes in the profile of their residents over the past three years, according to the survey. Indeed 61% of all residents are now aged 85 or more and they account for over 75% of residents in one in three homes. According to 50% of homes this cohort has increased over the last three years.

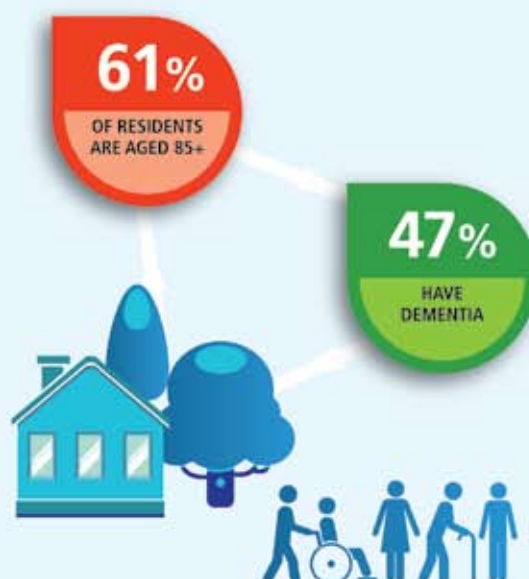
According to nursing home operators 47% of all residents have dementia, with 70% of respondents saying they have seen an increase in the number of residents with this condition.

# THE LONG-TERM CARE SECTOR

## NURSING HOME OVERVIEW



## RESIDENT PROFILE



## DEALING WITH DEMENTIA



## OTHER SERVICES PROVIDED

Palliative Care:	<b>93%</b>	Day Care:	<b>17%</b>
Internal Services:	<b>93%*</b>	Independent Living:	<b>16%</b>
Short-term respite care:	<b>82%</b>	External Care:	<b>4%</b>
Acquired Brain Injury:	<b>45%</b>	Home-care:	<b>2%</b>



## THE FAIR DEAL RATE UNDER PRESSURE BUT COSTS INCREASE





These profile trends point to the need to provide more specialist or care intensive services within nursing homes, now and increasingly so in the years ahead. Currently, less than one in five homes (20%) have a specialist dementia care unit, rising slightly to 25% of homes which have a higher proportion (i.e. over 50%) of residents with dementia. Indeed, the development of a specialist dementia care unit is one of the top three opportunities for nursing homes over the next three years (see section on Opportunities).

As one might expect, the range of services currently provided by nursing homes varies considerably, with larger homes, or those with over 50 residents, more likely to provide the majority of those services listed within the survey. The most widely available services are palliative care and internal services

(such as dental, hairdressing, physiotherapy, chiropody), with up to 93% of homes offering these, followed by short-term convalescent/ respite care (82%) and acquired brain injury care/ intellectual disability care (45%).

Services which offer alternative care options are less prevalent including day care (17% of homes), independent living units (16%), external services such as meals on wheels (8%) and home care (2%).

### IMPORTANCE OF THE FAIR DEAL

The importance of the Fair Deal scheme to residential homes around the country cannot be overstated as it accounts for a substantial proportion of each home's revenue. Indeed, according to the survey, some 89% of residents are reliant on the Fair Deal scheme to fund the cost of their care. By comparison, just 11% are private residents.

The survey findings suggest that for homes that are fully occupied, demand is strong: with an average of 19 people on the waiting list for financial approval under the Fair Deal scheme. In addition, almost two thirds of all homes (64%) currently have at least one resident waiting to be accepted on to the scheme.

In terms of the average revenue breakdown between public and private residents, there is a relatively modest difference in the weekly fees cited by the survey's participants, although this differs depending on the location. For Fair Deal residents, for example, the average weekly fee is €890 while it rises to €925 for private residents. In the case of homes in urban areas, the average Fair Deal rate cited is €993 while in small towns/rural areas it is €816. By comparison the average weekly private rate for residents in urban areas is €1,051, dropping to €836 per week in small towns/rural areas.

Unlike many other businesses, nursing homes, for all intents and purposes, operate in a monopolistic market, given the State as the dominant purchaser, is able to decide rates paid (The Fair Deal Rate) for residential care via the National Treatment Purchase Fund (NTPF). Almost three quarters of all homes claimed that their Fair Deal rate has stayed the same or decreased in the last three years with only a quarter (26%) saying that it had increased.

In an environment where nursing homes have faced substantial cost increases over the past three years on staffing, compliance, lighting and heat etc. (see Cost of Compliance and Staffing sections), the research shows that some homes are seeking out additional revenue from other sources: private weekly fees have reportedly seen an increase in 44% of homes over the past three years and the same proportion have been applying an additional weekly charge for non long-term residential care services, i.e. social programmes etc. as defined in the NTPF Deed of Agreement. Homes located in more urban areas tend to apply this charge to a slightly greater extent (51%), with an average charge of €34 per week, compared to their rural counterparts at €19 per week.

As the key source of funding, it is perhaps unsurprising that the Fair Deal is foremost in the minds of nursing home operators (67%) who consider uncertainty over Fair Deal rates the number one challenge facing their

**"Currently, less than 1 in 5 homes (20%) have a specialist dementia care unit, rising slightly to 25% of homes which have a higher proportion (i.e. over 50%) of residents with dementia."**



# THE LONG-TERM CARE SECTOR

## STAFFING



## KEY CHALLENGES



## THE OPPORTUNITIES



## OUTLOOK FOR THEIR BUSINESS WILL BE BETTER IN ...



## ► AIB / IPSOS MRBI SURVEY

business. Some 85% believe an increase in the rate should be the number one priority for Government in terms of their support for the sector.

Furthermore, among the 93% of respondents who considered there to be inadequate resourcing of the sector to keep up with demand, the majority of these (59%) spontaneously mentioned changes to the Fair Deal scheme.

Indeed, the current method used to set the Fair Deal rate appears to be a contentious issue within the sector: up to 87% of respondents agreed there to be probably a better way in which to calculate the rate. When prompted, the quality of care (86%), the quality of facilities and dependency level (both at 83%) in particular, were considered better ways of striking a more appropriate rate.

When prompted for their views on the Fair Deal, all of the survey's respondents were unanimous in the need for change.

- ◆ *We need a cost-of-care model nationally, the real cost of care needs to be addressed.*
- ◆ *A realistic look at the people waiting to leave hospital on the Fair Deal. We currently have three people waiting for Fair Deal and they've been told they'll be waiting for 16 weeks.*

◆ *I think the stakeholders that are involved need to get together to understand what is needed and required, and make it so that they're all working for the same point- for the care of the older people.*

◆ *They need to put more money into the Fair Deal system. There are too many people in the community who are not adequately dealt with and are too sick when they come in. There is too much of a delay on Fair Deal, and as a result people are discharged saying there are no beds available in nursing homes when in fact there are.*

◆ *The Government need to give incentives to be able to build new nursing homes. For every one bed becoming available we have 20 people waiting. We want to build a new building, however the Fair Deal rates by the NTPF to private operators are so bad that this is not feasible to build a new nursing home with return on investment so low.*

◆ *Increase funding for Fair Deal residents. More training of staff (professional nursing staff). More financial resources to be made available.*

◆ *More investment for the residents. The Fair Deal should cover more care facilities, not just bed and board. It should be covering occupational therapy as well as specialist equipment such as chairs and beds.*

◆ *Well I think that the Fair Deal scheme needs to be reviewed. It has been used to control private nursing home costs, but it is becoming intolerable and our fees are being reduced and so we cannot pay staff what we would like to and then the HSE is able to pay their nursing staff more than in private homes.*

◆ *The national purchase fund and Fair Deal need to be reviewed. The Government need to encourage graduates with nursing degrees to work in nursing homes. And there needs to be a better understanding regarding HIQA in relation to standards.*

◆ *The method of funding should change. At present, the amount of funding you receive has no relation to the care you deliver. There's no interaction between NTPF and HIQA. HIQA funding is not fairly applied between private and public. The HSE charges don't show capital costs. It should be all the same.*

### THE COST OF COMPLIANCE

Due to the nature of the service provided, nursing homes operate within a highly regulated environment as defined by Health Information and Quality Authority (HIQA). The research reveals that compliance with these standards is placing considerable financial pressure on homes. From a prompted list of eight cost categories, the cost of compliance with regulations emerged as the area where increases have been most wide spread over the past three years and was cited by 93% of the survey's respondents.

When asked about the July 2015 deadline for compliance with the new physical environmental standards (HIQA 25), approximately 74% of homes have, or will meet the standards by the deadline. Larger homes are more likely to have met the standards to date when compared to smaller homes (56% vs. 38%). The remaining quarter (22%) of homes stated that they will not meet the standards and this could have ramifications for capacity within the sector. In addition 4% were unable to say if they will meet the standards or not.

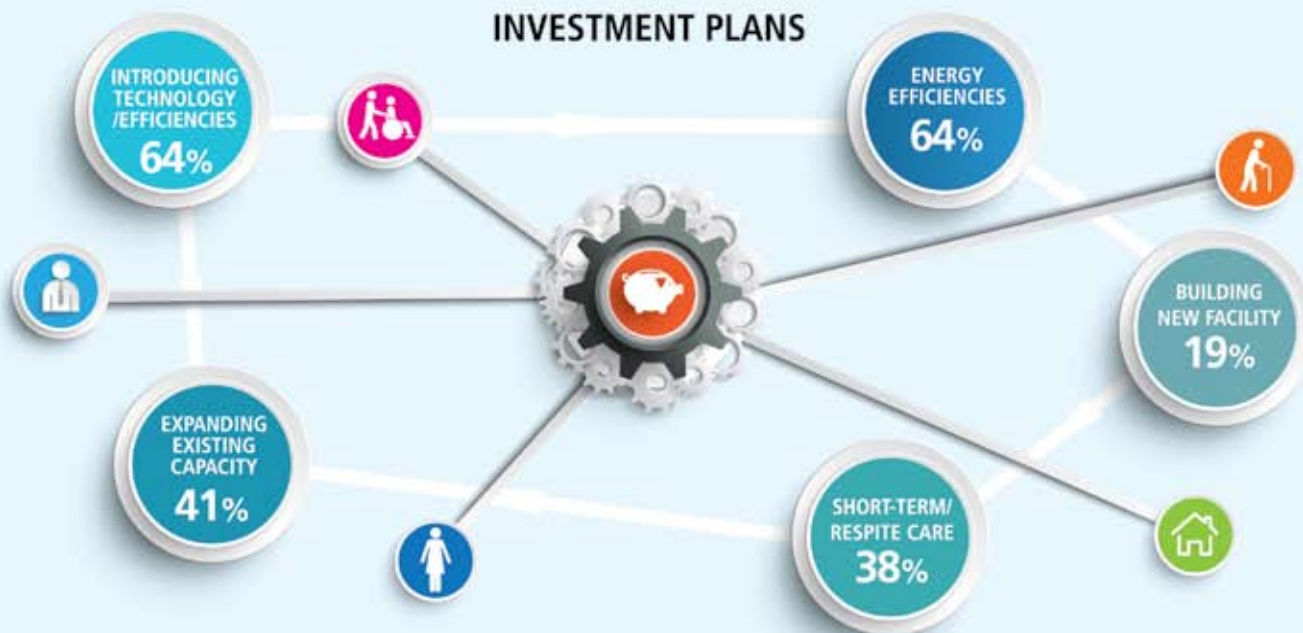
Interestingly, there is mixed opinion among respondents regarding how HIQA standards are applied: 50% consider them to be fairly applied, while 46% do not and 3% don't know. Regarding the level of support



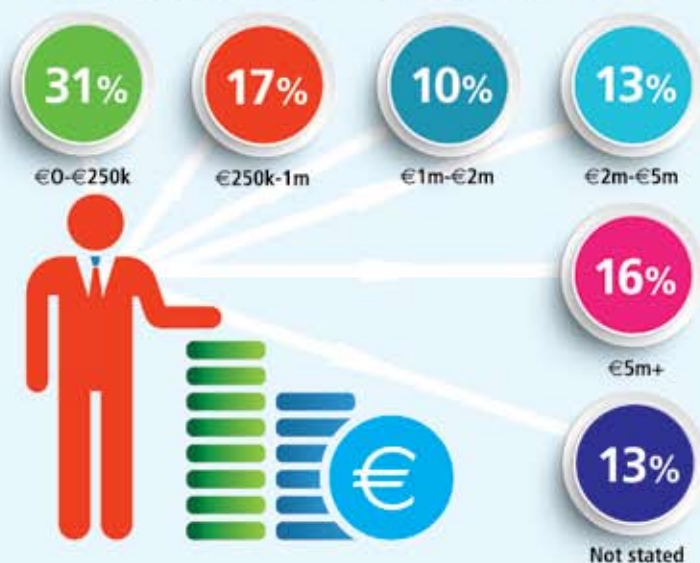


# THE LONG-TERM CARE SECTOR

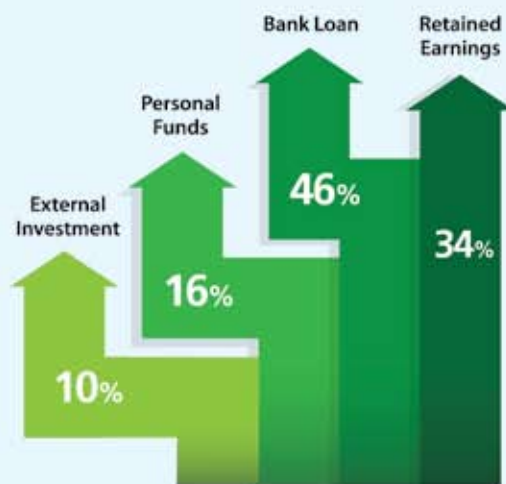
## INVESTMENT PLANS



## PLANNED INVESTMENT LEVELS



## SOURCE OF INVESTMENT



## KEY PRIORITIES FOR GOVERNMENT



and guidance provided by HIQA in their implementation, the majority (57%) have found this to be sufficient, 40% have found it not sufficient and 3% don't know. There were no significant differences in opinion expressed between different types of nursing home or based on whether HIQA 25 has been met or not. In addition, almost all (97%) were aware that HIQA standards are currently being revised and the majority (59%) agree with the proposed changes, 27% of homes disagree with the changes and 15% don't know.

### STAFFING

The availability of qualified healthcare staff in Ireland has been an issue for more than a decade. For nursing home operators, staffing and staff costs continue to be a challenge.

Across the sample of nursing homes surveyed, there is an average ratio of 1.2 staff employed per resident, which appears consistent regardless of size of home or location. Staffing is an area where there has also been widespread pressure on costs over the past three years, with as many as 87%

of respondents reporting they have faced increases in nursing staff costs and 82% have reported increases in care staff costs. Although perceived average rates of increase cited are lower than for other cost categories – at 14% for nursing staff and 11% for care staff – given that salary costs represent on average 62% of revenue across our sample, the financial impact is significant.

All nursing homes surveyed claimed to invest in training for their staff, with the vast majority (85%) using a mix of both internal and external training services.

In addition to cost issues, the survey highlights the problem many nursing homes face when recruiting nursing staff in particular, with as many as 82% of operators reporting that they are finding it very/ fairly difficult. This figure is much lower, at 19%, who experience any difficulty in recruiting care staff.

The shortage of nursing staff is particularly stark in more rural areas where up to 90% are finding their recruitment difficult (71% are

finding it very difficult, compared to 45% in urban areas).

Once recruited, retaining nursing staff also appears relatively difficult compared to retaining care staff (38% and 15%, respectively). Interestingly, there are signs that homes with more residents (over 50) are finding it slightly more difficult to retain nursing staff than those with up to 50 residents (48% and 30% respectively).

The fact that over one in three (34%) respondents consider the recruitment of suitably qualified staff as one of their top two challenges, highlights the need for more to be done to develop the skills base and to encourage greater numbers to work in the sector.

### OTHER COSTS

Over the past three years for the majority of nursing homes there has been an increase across all cost categories, light and heating (85% of nursing homes), maintenance (76%), food (72%) and financing (61%). Commercial





rates, however, have seen more mixed experiences, with a similar proportion claiming rates have increased as have found them to remain stable (42% and 43% respectively).

Of those experiencing rising costs, the perceived average rate of increase over the past three years differs depending on the category, however most lie within a range of 11-18%.

## OUTLOOK, CHALLENGES AND OPPORTUNITIES

In view of some of the key issues already mentioned, it is perhaps not surprising to note that respondents' current outlook for both the industry and their own business is not optimistic, at least in the short term. When asked the timescale within which they expect to see an improvement in the situation, up to 50% considered the sector will only be better in five or more years and a further 20% were unable to say. Their sense of optimism is only slightly better regarding their own business 40% think things will improve within the next three years (vs. 32% for the industry), however as many as 26% could not give a timescale.

In general, nursing homes based in more rural locations appear slightly more cautious than their urban counterparts with greater proportions considering it will take five or more years for the outlook to improve, for both the industry (56%) and their own business (39%) compared to urban homes (44% and 28% respectively).

When asked for their top two challenges, uncertainty over Fair Deal rates dominated at 67%, with 50% mentioning as their number one challenge. The following were then cited to a similar extent: increasing running costs (37%), ability to recruit suitably qualified staff and costs of compliance with regulations (both 34%). Having residents with increasing levels of dependency was identified by 18% as a top challenge. There were no significant differences between different nursing home types for this question, whether based on location or size of operation.

With every challenge comes an opportunity and the anticipated shortage of capacity in the sector represents an opportunity to invest. In terms of the opportunities over the next three years, expansion was cited as the top



priority. Extending capacity (35%), developing a specialist dementia unit (20%) and building a new home (19%) are all viewed as the major opportunities. Meanwhile, opportunities related to provision of alternative forms of care were identified by a small minority: short-term care, day care (both 8%) and home care (6%), while specialised mental care services (acquired brain injury and intellectual disability services) were cited by 3% and 2% respectively.

Some 21% of those surveyed did not envisage any opportunities for their business and this was reported across both urban and rural locations. This opinion was also more prevalent among older respondents (aged 55+) and those running smaller homes/single home operations.

## INVESTMENT AND FUNDING

Given the anticipated shortage of beds that has been well flagged by Nursing Homes Ireland and even the Department of Health, which has forecast a shortfall of 7,600 by 2021, it is not surprising to hear that substantial investment will be required over the next seven years. This will pose considerable challenges for all the key

stakeholders, including the Government. In addition to investing in expanding their operation, Nursing Home operators are also looking at investing to make their operations more efficient by introducing new technologies to drive operational efficiencies and introducing new energy efficiency measures (both 64%).

Interestingly, when prompted, almost half (48%) agreed that debt overhang is an issue for their operation, which may in turn deter potential investment. This proportion is higher among more rural homes (53%) compared to their urban counterparts (41%).

The survey also highlights some small differences priority-wise in investment plans based on nursing home location, with urban respondents twice as likely to cite building new nursing homes (27%) or acquiring new nursing homes (14%) compared to their peers in rural areas (13% and 7% respectively). Among the small minority of 12% of homes not planning to invest at all (proportions similar in both in urban and rural locations), satisfaction with their current situation was cited by almost half, followed by a mix of financial reasons including uncertainty over Fair Deal rates.

**"When it comes to financing these planned investments, securing a bank loan is seen to be the main source of funding across most initiatives."**

Reflecting the relative cost of different initiatives being considered, the scale of planned investment varies greatly, with almost one third (31%) intending to invest less than €250,000 and at the other end, 16% considering over €5 million in investment. The average planned investment is calculated at just over €171,000.

When it comes to financing these planned investments, securing a bank loan is seen to be the main source of funding across most initiatives and particularly so for expanding current capacity, building and acquiring a new nursing home. At least two in three expect to approach a bank for this loan. The bank is also an important source of funding for those considering investment in other related care initiatives such as short-term respite care, day care and home-care initiatives. For investment in technology or energy efficiency measures, however, reinvestment of profits from the business tends to be the primary source of funding, followed by the banks.

### PRIORITIES FOR GOVERNMENT

Given their dependency on the Fair Deal as a source of income for their businesses, it

is not surprising to learn that for 85% of respondents surveyed, an increase in the Fair Deal rate should, in their opinion, be a top priority for the Government (74% consider it the first priority), especially among more rural-based homes (84% vs. 61% of urban homes).

Second on the list is investment in education for suitably qualified staff (36%), followed by tax reliefs to encourage extending/ upgrading (27%). Reduction in the cost of compliance and VAT reduction on extensions and new builds are also mentioned by around one in four respondents as priorities.

As one of the key stakeholders in the sector in terms of setting policy, it is clear, the Government has a critical role to play in adopting policy strategies and measures to address the many concerns of nursing home operators highlighted in this research, and also to encourage much needed investment and expansion in the nursing home sector. With a possible shortfall of anything up to 8,000 beds predicted by the end of 2021, the timing of any policy initiatives or strategies will be crucial. ●

“The Government has a critical role to play in adopting policy strategies and measures to address the many concerns of nursing home operators.”



# MEETING THE DEMANDS OF IRELAND'S AGEING POPULATION

**With 440 private and voluntary nursing homes operating throughout Ireland, providing care and a 'home from home' for in excess of 22,634 elderly people, the nursing home sector is a vital and deeply embedded component of the Irish health service, according to Tadhg Daly.**

Beyond the important social role it plays, the sector is also a major contributor to local economies around the country, employing 24,000 people directly who, between them, contribute €185 million to the Exchequer in taxation. In many towns throughout Ireland, the local nursing home is often the largest employer as well as the largest purchaser of goods and services in local businesses. In addition, they pay several hundred million euro a year in the form of commercial rates, water charges, and VAT.

"You could say they are the economic dynamos in many parts of the country, particularly in rural Ireland where they may be, in many cases, the major local employer," says Tadhg Daly, chief executive of Nursing Homes Ireland (NHI).

"In terms of staffing, it's in excess of one staff member per resident. So if you have a 60-bed nursing home, for example, you will have in excess of 60 full-time staff. So apart from being an integral part of the health landscape, nursing homes make a significant economic contribution to the communities they serve, playing a critical role in supporting local businesses, and that is something that is often overlooked. We

also estimate that the sector has collectively invested up to €2 billion from its own resources down through the years in developing quality specialist healthcare facilities," he says.

As Ireland's population has grown over the last ten years, so too has the number of elderly people. CSO figures show that between the years 2006-2011, the number of people over the age of 65 had increased by 76,467 to 535,393, a 14% increase. The number of people over the age of 85, meanwhile, also increased by 14% to 128,529.

By comparison, the private and voluntary sector provided a total bed capacity of 14,946 beds in 2003. Between 2003 and the end of 2013, an additional 7,688 beds were added with much of that growth occurring between 2003 and 2009. Since 2009, however, the rate of growth has slowed significantly.

The scale of some of the challenges facing the sector in the future are borne out by CSO projections which forecast that the number of people aged 65+ will hit 733,300 by 2021, a 37% increase, while the number of people aged 80+ will reach 175,700, another 37% increase.



"This is quite serious and it has major implications for the sector and indeed future health policy in Ireland," says Daly. "Several different studies, including one by the ESRI and a report we commissioned from BDO, point to a significant shortfall of beds, by as much as 8,000 by 2021. Of course this is not news to us as we have been highlighting this for a long time. I think that the scale of the challenge is now clear to the Government, judging by briefing notes supplied to the new Minister, Leo Varadkar, which state that a minimum

of 7,600 beds will be required between now and 2021 going by the Department of Health but we need action now rather than in four or five years time when it's too late. The nursing home sector and the services provided by NHI members are a significant part of the solution to the challenges of meeting the care requirements of Ireland's ageing population".

While future capacity issues are a great concern to NHI and its members, Tadhg Daly points to other equally pressing issues





which also need to be addressed if the sector is to grow in line with anticipated demand.

"The introduction of a 'Fair Price for Care' that recognises the true cost of nursing home care is urgently required. On the one hand you have HIQA, an arm of the State continuously pushing for higher standards, while, on the other hand, you have another arm of the State, the NTPF under the Fair Deal, effectively saying we are not going to pay for those standards. The NHI and its members are all for better standards and have embraced the HIQA regime and likewise we understand the need for the State to seek better value for money. However any objective analysis will show that the private and voluntary sector does provide value for money. Even the former Minister for Health, James Reilly, and indeed the Comptroller & Auditor General questioned why the State is purchasing care from the private and voluntary sector for an average price that is up to 50% below that provided to public nursing homes. The reality is the State wishes to purchase care from the private and voluntary nursing home sector for an average price that is minimum 50% below that provided to public nursing homes. So that is a big issue for our members and the sector as a whole. We

are concerned at the role played by NTPF under the Fair Deal. As a monopoly purchaser they impose a price cap on the fee to be paid for nursing home care, without due regard to the costs incurred by member nursing homes. This is threatening the sustainability of the sector with failure to recognise true costs of providing complex care also acting as a disincentive to the investment required to meet future requirements.

"We also have the situation with increasing costs across the nursing home sector as borne out by the Ipsos MRBI research. In tandem with the significant increased cost of regulation, members are seeing increases in staffing costs, energy, commercial rates and food which must be recognised in the negotiations with NTPF under the Fair Deal."

NHI is also concerned that the required €1.7 billion investment that the HSE has flagged to maintain current public sector capacity might not be the best

use of State resources. Of this €1.7 billion, €834 million is needed to maintain public provision of public nursing home care and to address current capacity issues while €850 million is needed for the State to maintain a 20% presence to 2023 in the provision of long-term residential care.

"The fact remains that for every two people that are cared for in a public home, you could have three people cared for in a private home for the same cost. So if its value for money the State is looking for, then the private and voluntary sector is more than capable of delivering this. In addition, the sector is one of the most highly-regulated sectors in the Irish economy and can guarantee a high-quality service. But again, we would stress that there needs to be a recognition that standards come at price and that you can't continually raise the bar while at the same time oversee a race to the bottom in terms of fees. That's in nobody's interest," says Daly.

**"NHI is also concerned that the proposed €1.7 billion investment that the HSE has flagged to maintain current capacity, might not be the best use of State resources."**

The often thorny issue of the Fair Deal scheme is also never far from NHI's agenda – not least because it has a direct impact on the revenue of the private and voluntary sector. In 2014, however, the HSE Service Plan outlined that 939 fewer people would be supported by the scheme as part of a €35m cut in the overall budget. The reality is the impact of the 2014 budget cut has been of much greater significance Daly advises, leading to a crisis in older person care and for wider health service.

"On the day of Budget 2015 announcement [14th October], an extraordinary 2,114 people were awaiting Fair Deal payment and waiting period of four months. Throughout 2014 the HSE has been expressing ongoing concern regarding the continuous increase in numbers delayed discharge within our acute hospitals, informing of the constraints this is placing upon acute hospital services. Three-quarters of persons delayed discharge are awaiting long-term nursing care yet incredibly the Government failed to commit to increase the resourcing of Fair Deal budget in Budget 2015. This defies logic and it makes no economic sense. Such persons are remaining within hospital at a cost to the State which is two to three times more expensive."

Daly describes the Fair Deal as "a good scheme from the point of view of the resident and their families" and advises it fulfils Government 'money follows the patient' objective, designed to enable persons to be provided with care within their local communities. He adds: "However we would argue that one of the key challenges is the introduction of a more sophisticated commissioning model acknowledging a 'Fair Price for Care' together with the introduction of an independent appeals process for nursing home



providers who fail to agree a rate with the NTPF. At the moment you have a monopoly purchaser and we are concerned that it is a race to the bottom in terms of pricing which is not good. There is a review of it underway which should be completed by the end of the year". He refers to report issued by The Oireachtas Joint Committee on Health and Children, published in July 2014, "Report on End of Life and Palliative Care" and points to a key recommendation within it: "In reviewing the Fair Deal scheme, an evidence-based cost of care model could be used in assessing the real cost of residential nursing home care in Ireland."

He adds: "We would like to see more transparency introduced into the whole fee negotiation process and a recognition there that people need a return on investment. Our members need to make a return upon their investment if they are to re-invest and expand because nobody is going to lend to, or invest in a business that doesn't fulfil this criteria. And if this doesn't happen, then we are facing a very serious crisis down the line."

Given the significant capital expenditure that will be required by the private sector over the next 10 years, not only for new builds, but for upgrades and extensions to existing facilities, NHI is pushing for a series of required measures to stimulate required significant investment. Budget 2015 saw the announcement of the introduction of one such measure, the extension of the Employment and Investment Incentive Scheme (EIIS) to the nursing home sector. "It is not a panacea to support the significant investment nursing homes require but it is an important and welcome measure," says Daly.

"Like other sectors that are already benefiting from the scheme, the residential care sector is just as labour intensive and the mechanism is some step towards enabling it fulfil its potential to create up to 24,000 new jobs in urban and rural communities across Ireland. This extension of the scheme to the sector has the potential to support equity shortfall, particularly for small and medium sized nursing homes. NHI has long-standing engagement with the Government Departments warning of the critical requirement to ensure the warnings regarding growth in requirement for services do not go unheeded and the private and voluntary nursing home sector is enabled to expand upon its central role in healthcare delivery in Irish communities."

As well as calling for the extension of the EIIS, another measure brought forward by NHI within its 2015 pre-Budget submission was the abolition of VAT on construction and other associated costs for a period of five years. NHI also urged that planning fees should be waived for a period of time. "In the case

of VAT, it is non-reclaimable in the main and we are suggesting that, for a defined period, that it should be removed or reduced and this would also act as a stimulus," says Daly.

The assistance of the country's pillar banks is also required in helping the sector grow, says NHI's CEO. "The banks are definitely more discerning now than they have been in the past and for good reason," says Daly. "In the past they might have looked at the equity in the property as security but now it's back to basics and if the owners have a sound, viable and sustainable business model, as well as having a good track record, they have been broadly supportive. But again, for businesses to be viable and grow, the agencies of State need to realise how important it is for them to be allowed make a profit in the first place."

Staffing is another critical challenge for the sector, particularly surrounding the recruitment of required specialist gerontology nurses. A report supported by NHI titled Exploring Nursing Expertise in Residential Care for Older People, published

in February 2013, warned the specific skills of registered older people's nurses have never been so much in demand and yet so much under threat. It highlighted the unique skill set that applies to the discipline that is experiencing a significant growth in demand. "Key stakeholders must urgently engage in workforce planning to address the significant challenges being presented in the attraction and retention of gerontological nurses to meet the care requirements of our rapidly ageing population," Daly states.

Arguably one of the biggest challenges facing the various stakeholders in the sector, is the need for a coherent national strategy that takes on board all the key issues by joining up all the different dots, says Daly.

"There's been a number of different strategy documents for the health service over the past few years including Future Health, Positive Ageing, the National Carers Strategy and there is a National Dementia Strategy in the final stages of development. While they are all very positive, there is no one single overarching policy that outlines how we tackle this impending crisis and how we develop a clear pathway of care for people as they get older. It shouldn't be about nursing home versus home-care or nursing home versus independent living. It should be about a continuum of care and what we need to put in place to ensure that older people get the best and most appropriate service based on their needs. We think a Forum on Long-Term Residential Care is the best option and this would bring all the stakeholders together to plan the future of nursing home care and the many changes that are needed to grow the sector and ensure that we meet the demands of our ageing population," he concludes. ●



# CHALLENGES AND OPPORTUNITIES

**There are many challenges facing the key stakeholders when it comes to the provision of facilities and services for the elderly in Ireland. But there are also opportunities, writes Anne Bannon, Head of Healthcare, AIB Business Banking.**

The good news is that we are living longer with better health due to higher living standards, better healthcare and medical technology. Life expectancy in Ireland has been increasing and is now above average for EU countries. In addition to demographic trends, increasing expectations about the quality and certainty of care provision appropriate to a modern society will add pressure for investment in care services for the elderly in the years ahead. Research conducted by the ESRI in 2012, which analysed the actual and projected utilisation of care, predicted significant growth in demand for long-term care in all settings.

The Department of Health's policy is to support older people to live in dignity and independence in their own homes and communities for as long as possible and to support access to quality long-term residential care where this is appropriate.

The vast majority of older people live independently or receive informal care at home from their families and friends. Social trends, such as rural depopulation and higher female labour force participation impact on the availability of informal carers.



According to the CSO, 114,000 out of the 187,000 carers in 2012 were women and more than half were under 50 years old. An increase in male life expectancy, however, should provide more carers within couples.

An increasing number of older people, often with low or moderate dependency needs, receive some formal home care service from the HSE, voluntary or private home care providers. The private home care market has been growing rapidly especially since the introduction of home care packages. Private providers also offer a more flexible and round-the-clock service. As part of the integrated health strategy, there is a commitment to provide more resources for formal home care in the future.

At the moment the provision of formal home care is patchy, and the amount and type of services available varies considerably across the country. While there is a degree of regulation and enforcement of standards in home care by the HSE, home care services are not governed by the same degree of regulations and enforcement of standards as residential care facilities. There are plans to introduce comprehensive regulation and quality of care standards that would be inspected by HIQA, for home care providers by 2016. There may be an opportunity for some residential providers to expand their business into home care when the new regulations are enacted in the future.

Despite increases in the provision of home-care services, demand for long-term residential care beds is expected to exceed supply in the coming years unless there is a significant increase in investment.

The landscape in the provision of long-term care has changed radically over the past two decades. Historically, public nursing homes were the main providers of residential care while there were only a small number of private nursing

homes. In 2014, private nursing homes provide over 75% of total long-term care residential care beds while the HSE bed supply has reduced to less than 25%.

The long-term residential care sector has a number of distinct features. It is highly capital intensive with a new 80 bed nursing home cost estimated to be €8 million or €100,000 per bed. It is also highly regulated across a broad range of criteria i.e. the specifications on the physical environment, the integrity and competence of owners, management and staff, the protection of residents and quality of care. Each nursing home must be registered with HIQA prior to operating and will be subject to regular HIQA inspections.

The vast majority of the sector's income comes from the State via the National Treatment Purchase Fund (NTPF). Nursing homes are also highly labour intensive with a staff resident ratio in excess of 1:1. Another distinguishing feature is that a large number of nursing homes are owned or run by women. Many nursing home operators have a medical background but interestingly three out of the four case studies featured in the Outlook

Report are headed up by people with experience in sales and marketing.

While occupancy rates are strong in many areas at the moment, operators have been challenged by either falling Fair Deal rates and/or increased costs over the last three years.

According to the Ipsos MRBI Survey carried out for this Outlook Report, respondents to the survey indicated all costs had increased over the last three years. Salary cost increases for nursing and care staff are the most significant as the sector is highly labour intensive with wages and salaries accounting for on average 62% of turnover. It is likely that labour cost pressures will continue in the future especially in Dublin. It is worth pointing out that the majority of operators are also planning to invest in energy efficiency and technology initiatives to improve operational efficiency.

While the demand for beds is less pressing, the challenge

of investing in new capacity is likely to be more difficult outside of Dublin and other large urban areas. Fair Deal rates are lower; homes take longer to fill and may have more residents with complex healthcare needs. Existing homes are probably best placed to provide additional capacity if they have sufficient equity to fund expansion.

Recent press articles indicate that potential sites for new nursing home developments in populated areas are becoming more expensive as the economy recovers and the demand for housing increases in Dublin and other cities. This, in turn, will drive up costs for operators planning to build new nursing homes in these areas.

The Ipsos MRBI survey also highlights that an increasingly high proportion of residents suffered from dementia, while only 20% of homes had a specialist dementia unit. In many countries financial incentives are given to nursing homes to admit people with dementia. However,

the Fair Deal rate does not vary according to the care needs of residents of nursing homes. The demand for dementia facilities is expected to increase in line with the projected growth in the number of the people aged 80 and over.

AIB has been very active in the market and has provided a large share of the funding over the past year. We are keen to fill the gap left by the exiting banks and are supporting the investment plans of new and existing clients. The bank also has a strong pipeline of new projects and requests across the country.

While AIB is keen to provide loan finance to assist in the development of the sector, the amount of debt that any development can sustain must be appropriate to income and profitability so there is often a requirement for equity to be available to part fund the development. An existing operator may be able to leverage their existing business to generate the required equity or new funds may have to be

introduced from third party investors.

Existing operators are most likely to provide the required increase in bed supply over the short to medium term. However many will not have the appetite or indeed the resources to fund any significant additional capacity. It takes time to bring new bed supply on stream; the development cycle from site acquisition to fill up is at least two years.

As many of the public facilities are over 100 years old, in the medium term, there is likely to be a contraction in the number of public beds unless new investment is made by the State. The extension of the Employment & Investment Incentive Scheme to the nursing home sector in the recent Budget, should increase availability of equity investment in the sector. New market entrants also may be required to address the projected supply shortfall. The outcome of the Fair Deal review is also likely to be a key factor that will influence investor appetite. ●

“The demand for dementia facilities is expected to increase in line with the projected growth in the number of the people aged 80 and over.”



# THE INVESTMENT CHALLENGE

**If there is one thing that all the key stakeholders in the residential care sector are unanimous on, it's the fact that significant capital investment will be required over the next seven years if the estimated shortfall of beds is to be met, according to Brian McEnery of BDO.**

In a report carried out for Nursing Homes Ireland (NHI) by consultants BDO earlier this year, the estimated shortfall in beds was put at 8,000 by the end of 2021. Separately, the Department of Health has estimated that the "minimum" shortfall would be in the region of 7,600 beds. Either way, the investment that will be required between now and 2021 will indeed be significant while the demands on policy makers will be substantial.

"With an overall increasing number of older persons in society, healthcare policy needs to ensure there is an appropriate mix of care solutions for our older persons. This will necessarily mean greater numbers of persons living in the community with more sophisticated primary care. It will necessitate greater levels of home care provision and, by implication, home care packages. It will also mean a significant need to develop additional long-term residential bed spaces. The ultimate objective being to ensure appropriate levels of care for the older person, such that acute facilities, with their disproportionate costs, are not used as a means of providing medium term or longer term care, because other more appropriate and cost-effective alternatives are not adequately provided. In essence, however, the commitment of resources to older person care will have to increase annually and the



BRIAN MCENERY

ability to get more service provision from the same budget is becoming difficult to achieve and potentially damaging to the quality of provision," says Brian McEnery, Head of Healthcare at BDO and Chairman of HIQA.

While the private sector has already invested up to €2 billion in long-term care facilities over the last decade, according to figures compiled by NHI, the sector is in urgent need of additional investment over the coming years, says McEnery.

"The sector generally has suffered from a lack of capital investment. This needs to

remedy itself soon, or inevitably inappropriate and expensive hospital settings will become the default setting for all conditions," he says.

"In addition, the Fair Deal review needs to be completed and implemented sooner rather than later, as the uncertainty surrounding the scheme is resulting in uncertainty for banks, operators and equity providers. The Fair Deal scheme does need to be more scientifically based and the county average based pricing mechanisms that are applied seem crude and take little cognisance of the complexity of care. Overall the funding scheme for the coming years needs to be outlined soon and this would at least ensure operators and financiers know the terms of engagement and can make their business decisions accordingly."

With costly HIQA compliance measures looming large on the agenda for many operators in both the private and public care sector, McEnery doesn't believe that the additional capital costs

will be a sufficient enough drain on existing resources to deter future investment.

"The physical environment standards have been in existence since 2009, and lots of private and voluntary nursing homes have made the capital investment necessary to be in compliance with those standards. In that regard, I believe the majority of funding required to ensure compliance has already been spent in the private and voluntary sectors. This is not the case, to the same extent, in the public sector, and this is a challenge for the HSE for sure. The end of the derogation period is July 2015, and it is the stated position of HIQA to review each home on a case-by-case basis, but clearly this is with a view to the standards being met and non-compliance not being permitted into the longer term. An improved and safe environment, is good for the older person care sector and good for the residents and staff. It is also likely in time that standards will be introduced to home care and other care settings. The physical environment in nursing homes has improved immeasurably since the introduction and it is important that this progress is maintained," he says.

Future investment in the sector will come from a number of sources, including bank debt, private equity and owners' own resources but there is clearly an equity gap that will need to be

"The Fair Deal review needs to be completed and implemented sooner rather than later, as the uncertainty surrounding the scheme is resulting in uncertainty for banks, operators and equity providers."





plugged if the sector is to achieve its true potential and address the envisaged shortfall in beds.

“Clearly, there is a need for debt, and banks are typically agreeable to funding between 65% and 70% of the capital cost. This leaves a sizable equity gap, and this has been difficult to fill in recent years. The reason for this, is that for many years, capital allowance partnerships filled the equity gap and this led to the expansion of nursing home beds seen in recent years. However, the legacy of utilising the tax partnership funding model is having the opposite effect now. That is because nursing homes that are owned by the capital allowance partnership are leased to the nursing home operator for the tax life of the building. As a consequence, the property is not owned by the operator and hence they can’t use the asset as collateral towards filling the equity gap for new developments. Once the tax

life is over, typically the nursing home operator will buy out the capital allowance partnership, but the tax life for many homes is 15 years and this is a real problem.

“I believe Government should bring the tax life back to be co-terminus with the writing down allowance life (i.e. seven years) and this would help operators buy out the capital allowance investors more quickly and thereby help growth in development. The recent extension of EIS to the nursing home sector in Budget 2015 will, hopefully, fill the equity gap.

The existing anomalies between the Fair Deal rate that is struck for urban and rural residential care facilities, however, also needs to be examined, according to McEnery.

“Generally in the urban areas of Dublin and Cork, the average Fair Deal rate should be sufficient to

provide an adequate return on capital for debt and promoter equity. In fact the return and margins in the sector (even in Dublin and Cork) are not sufficient to provide an adequate return on equity, if the equity is provided by an external third-party equity providers at typical private equity return rates. Hence the reason why I suggest EIS financing would be a welcome additional capital source to the long-term care sector. Government needs to look at the sector incentives for a number of reasons, not least, the underlying demographic reasons, but also because of stimulating economic activity in a sector which has underlying solid credentials,” he says.

The availability of debt finance from the country’s pillar banks

will also play an important role in creating that extra capacity and according to McEnery, the banks are broadly positive about the sector.

“Banks, in my opinion, view the sector as being one of the lower risk SME areas of the economy. Their existing loan book for nursing homes are likely to be in a healthy condition, and typically where there is stress in the loan book, it is because of other property-related difficulties for the most part. I think it is only fair to say some Midland and Western counties receive inappropriately low Fair Deal rates and this can be an issue, particularly if the home is newly built and carrying debt. However I know from talking to all banks that the sector is well regarded for existing performance and future prospects.

“I think there is also likely to be international investor / operator interest once the Fair Deal review is completed and a longer-term position on funding signalled to the market. I am aware of some overseas operators looking at the market and there is a lot of private equity indicating a desire to finance equity to the sector. As already indicated the equity gap of 30% to 35% can’t come entirely from private equity, as if it does the promoter return is non-existent. For this reason the private equity investors have struggled to put this type of capital to work, although there is evidence of equity providers taking shareholdings in Ireland’s growth orientated groups which are restricted from a capital point of view. But there is likely to be a lot of activity in the sector for the coming years,” he concludes. ●

**“Banks, in my opinion, view the sector as being one of the lower risk SME areas of the economy.”**

# JOINING UP THE DOTS

**The provision of residential and home-care services for Ireland's ageing population will provide policy makers, and other key stakeholders, with many challenges over the coming years. While there may be no quick-fix solutions, the many issues can be resolved if the right policies are adopted, according to Professor Charles Normand.**

Charles Normand, Edward Kennedy Professor of Health Policy and Management at the University of Dublin, Trinity College and an affiliate researcher with the Irish Longitudinal Study on Ageing (TILDA) points out that the issues, of which there are many, are also very complex but once unravelled some of the solutions are obvious.

"A good starting point is a thorough understanding of all the different complexities involved, at all levels, because it is a very complex issue. The reality is that the long-term care needs are growing in absolute terms but they are also changing as well, so it's important to understand the way in which they are changing as well as the way in which they are growing. Because otherwise if we don't, it will be all too easy for people to throw up their hands in despair and we won't be able to solve anything," he says.

One important factor in all of this is that people's life expectancies are increasing all the time and the implications this has are quite significant when it comes to formulating long-term policy, he says.

"Taking a simple example of



PROFESSOR CHARLES NORMAND

the ways in which things are changing, we know that men are now living longer than they used to and so the proportion of elderly households, that a single person inhabits, has been falling. There is also evidence to suggest that the life expectancies of both men and women are converging and this means we need new ways of maintaining a viable two-person household where neither of the individuals may be able to live by themselves, but as a couple they can – but they do so with specific kinds of assistance to keep them there. Similarly, we know that people are getting slightly fitter at every age, even though they may complain more about feeling unwell. In absolute terms, however, their health is improving at any given age. So,

I think it's right to suggest that the trends in long-term care will not be as rapid as the trends in ageing but what will change is the whole dynamics in terms of the types of supports that will be needed," says Normand.

"But all of this is being mitigated by a number of factors that are equally as important. These have to do with the issues around the balance between what you do in the community and what you do in residential care and ultimately what happens in hospital or acute care. A lot of progress can be made in this area if we approach it in the right manner but unfortunately that's not easy either. People are being admitted to nursing homes who could otherwise be cared for in their own homes if sufficient care was provided. And while they may be able to get access to funding to go into a nursing home, they can't get access to funding to stay out, which is clearly nonsense. The incentives tend to push people towards either residential care or acute hospital care and that is wrong and not an efficient use of resources," he adds.

"Unfortunately it's not as easy as it seems to reverse that, because one of the problems with improving access to services

in the community, is you find a whole lot of people who wouldn't otherwise go into nursing homes, can present with exactly the same apparent needs and problems. And once you start supplying services for those problems your calculations go wrong because if you think you can keep one person out of a nursing home by providing alternative services, then you will find that three more people can also use those alternative services. So financially it can be difficult. But nevertheless, I think even though the demands for nursing home care are likely to be creeping up as a result of just the absolute numbers of older people who are very dependent, nevertheless that threshold could move quite a long way and to some extent this would save money. But more importantly it would be a better model of care for all the individuals concerned. It would also require new kinds of supports and one of the difficulties is that, at the moment, we have a one size fits all support system in operation and it's not flexible.

"If you look at home help for example, it's only very recently that it has become available to people beyond the traditional 9am-5pm, Monday to Friday which is not very helpful to



somebody who might need care late in the evening rather than in the morning or at the weekends rather than mid-week. So we need that kind of flexibility and often it needs to be individualised. I know it's difficult to run a bureaucratic system when the needs of the individuals are different but it would make a

“At the moment you can be taxed on your home if you leave it to go into residential care, but you can't be taxed on it, if you are staying in your home.”

lot of difference. I recently came across a case where a €2,000 investment in the installation of a downstairs bathroom actually kept that person out of a nursing home for a significant period. It can be something as simple as that. In monetary terms this €2,000 investment equates to the cost of care for 10 days in a nursing home. But again getting those sort of schemes to be well-targeted is not easy, but nevertheless you can often get a big payback just by some good, very practical adaptations that will just make it safer and easier for people to stay at home,” he adds.

“We have got to change our existing models of home and residential care and with that the types of supports that are available. We should also be looking at other successful models of care in other countries like the UK, USA and Canada. For example warden-

assisted independent living is very uncommon in Ireland even though it's common in many other countries. Also in other countries, they have schemes where you have a whole spectrum of services on the one campus ranging from supported independent living right through to high dependency residential care and people migrate through these at different stages, without having to actually move. But it is clear that there are many gaps in the system in Ireland that need to be filled because over the longer term the current model that pushes people into long-term care or acute hospitals is simply not sustainable.”

“New funding mechanisms should also be explored,” he says “and that includes some possible changes to the Fair Deal scheme to make it more equitable across the board.”

“At the moment you can be taxed on your home if you leave it to go into residential care, but you can't be taxed on it, if you are staying in your home and accessing the different supports to keep you out of residential care in the first place. It's a fairly simple thing to say the Fair Deal should be applied equally, whether you are in residential care or elsewhere. Why does it make any sense to have different sets of entitlements depending on whether you are just one side of a margin or the other?” he asks.

“Of course it will be very difficult to change this but at the moment care comes with a price whether it's a nursing home or in a residential setting. As it exists, the Fair Deal scheme does act as an incentive for people to go into residential care when they could otherwise be cared for in the home,” he concludes. ●

# SUPPORT FROM THE COMMUNITY

**A greater variety of community-based medical supports and care packages for elderly people could go a long way in alleviating the pressure within the acute hospital system, according to Mary Day, the CEO of the Mater Hospital.**

**A**s CEO of the Mater Hospital and the newly appointed CEO of the East Hospitals Group, one of six new acute hospital groups around the country, Mary Day is only too familiar with the many issues the health service faces when it comes to providing a broad spectrum of medical and care services to the elderly in society.

"Here in the Mater, we have 40 beds that are dedicated to acute care of the older persons and they have been reconfigured under our clinical care programme for older persons. This essentially involves a separate pathway through the hospital for elderly patients admitted from our emergency department. Following completion of the acute phase of illness, the patient may require rehab or convalescence and they may be referred to one of our offsite rehab units. In some cases, it comes to a stage where the patient cannot live at home anymore and an assessment for nursing home care is completed and the process of finding a suitable nursing home begins. This can be a complex process which is dependent on nursing home bed capacity, unfortunately in this region there is a shortage of nursing home beds.

"In addition to the 40 acute beds, a couple of years ago we have another 25 beds offsite, which are re-ablement beds. Once patients have completed

their acute care, and if they are not ready to go home, they are referred to the unit. The aim of this unit is to assist patients to return to their normal level of functioning which will allow them to go home. This unit also facilitates patients waiting for nursing home beds.

It has its own dedicated staff and excellent leadership in terms of the medical and nursing care. What we have seen so far is that by having this facility, we have prevented a percentage of nursing home admissions. In a study on the outcomes of the unit in 2012, we did demonstrate that we prevented nursing home care for 17% of the patients who attended. I think it's much better for patients to actually go home and this is what we try to achieve. It makes a lot more sense from everybody's perspective."

The problem, she adds, is there's not enough facilities like this around the country nor is the funding in place to support them.

"I think that many older patients are going into nursing homes too early sometimes, because there are not appropriate care settings in the community. If we had a better range of facilities in the community, we could avoid some of the acute admissions we have now," she adds.

"In fairness, the home care packages offered by the HSE

have improved however there are still problems where there has been periods where funding for these packages have been suspended. This has a significant impact on the acute hospital as patients are reliant on the packages to be discharged. An example of this was during the summer where for budgetary reasons within the community sector, no funding was allocated for home care packages for a period of time, and we had 14 patients waiting in the Hospital. The cost of a HCP is significantly less than an acute bed.

"So the best thing for older persons is to keep them out of hospital and keep them living in the community for as long as we can."

She points to the recent publication of the HSE's plans to establish nine Community Healthcare Organisations across the State as a step in the right direction. These will replace the 17 Integrated Service Areas under which non-hospital services are currently grouped. Each Community Healthcare Organisation will comprise ten Primary Care Networks, each one with a population of about 50,000, to provide access to services such as social care, mental health, health promotion and services for the elderly. The move follows on from the decision to create regional groups for all hospital services. The HSE says the new



MARY DAY, CEO OF THE MATER HOSPITAL

structure will make it easier for people in local communities to access services, navigate from community care to hospital service and discharge back to the community. In addition the reorganisation of public hospitals into hospital groups is designed to deliver improved outcomes for patients and each group of hospitals will work together to provide acute care for patients in their area, integrating with community and primary care providers.

"So there is plenty of hope there, now we need action and we need to be a lot more innovative in the type of facilities and care pathways we deliver to ensure older patients have care appropriate to meet their needs. But a big part of that is having a much more streamlined cohesive pathway from the community into the hospitals and back out again," she adds. ●



# BRIDGING THE EQUITY GAP

**The Irish residential care sector received a welcome boost in Budget 2015 when nursing homes were added to the list of qualifying companies that can raise equity funding under the Employment & Investment Incentive Scheme (EIIS).**

The EIIS, which was introduced in November 2011 as a replacement for the Business Expansion Scheme (BES), encourages and facilitates investment in Irish SMEs and is one of several initiatives that the Government has created to encourage and foster growth amongst SMEs. The EIIS also provides a tax incentive to private investors to invest medium-term equity capital in companies which would might otherwise find it difficult to raise such funding and has been used to fill perceived equity gaps when SMEs are expanding or seeking to raise additional funding from a bank.

Between 2011 and the end of 2013, Irish SMEs have raised €54.9 million under the EIIS from a total of 1,363 investors, according to the Department of Finance's Review of the Employment and Investment Incentive and Seed Capital Scheme which was published as part of Budget 2015.

The inclusion of nursing homes under the EIIS was one of the key recommendations made by Nursing Homes Ireland (NHI) in its pre-Budget Submission to the Department of Finance in September. NHI noted that apart from protecting in excess of 24,000 direct jobs, the EIIS could also help to stimulate the much needed investment required to meet the increasing residential care needs of the country's ageing population and in the process create new jobs in nursing homes throughout Ireland as well as during the build-out period.

In the case of the nursing home sector, the EIIS is attractive to smaller family-owned businesses, particularly when family members will avail of it to invest in the business. In the case of nursing homes that have both a share capital and loan capital of less than €500,000, eligible shares can be issued to the owner or to family members, with income tax relief available to those

individuals. Prior to the inclusion of nursing homes in the EIIS, family members who invested in the business did not receive income tax relief on their investment.

In Budget 2015, the maximum a company can raise in any one year was changed from €2.5 million to €5 million, subject to a lifetime maximum of €15 million. Prior to this the lifetime maximum was €10 million.

### QUALIFYING INDIVIDUALS

An individual can invest from €250 to a maximum of €150,000 in any tax year. A top rate taxpayer can obtain tax relief of 30% in the year of investment and 11% four years later provided there is an increase in employment or R&D spend in the business. In addition, there is no limit to the number of companies an investor can invest in but tax relief is subject to the overall investment limit of €150,000 per annum up to and including 2020.

When it comes to individual directors, employees or other persons connected to the

business who have an interest of more than 30% of the business, tax relief is available if the aggregate amount that is raised in terms of share and loan capital in the specified period is less than €500,000.

However directors and employees are able to qualify for relief provided that all their dealings with the company are on normal and non-preferential terms. In addition there should be no recovery of capital in any form by the connected parties by way of future dividends, distributions of capital or assets. As part of Budget 2015, the Minister for Finance raised the holding period for shares from three to four years.

"The extension of the EIIS to the nursing home sector is a welcome development and should provide more equity funding to support investment in the sector," according to Anne Bannon, Head of Healthcare, Business Banking, AIB. ●

**(Source: Department of Finance and Revenue Commissioners)**



# ENFORCING COMPLIANCE

**As an integral part of the health service, the Health Information and Quality Authority (HIQA) has played a major role in ensuring important regulations and standards are enforced in the residential care sector throughout Ireland and soon its bailiwick will include the home-care sector, according to Phelim Quinn.**

As the body responsible for regulating and scrutinising the quality and safety of specified adult and children's health and social care services, the Health Information and Quality Authority (HIQA) plays an important role in the day-to-day supervision of residential care facilities for the elderly in Ireland.

With considerable powers of inspection and sanction at its disposal, the establishment of HIQA in 2007 is largely credited with a significant improvement in standards and policies across the board in residential care facilities throughout Ireland. These quality standards and procedures are not only of importance to the 27,000 elderly people in residential care in Ireland but also to their relatives, the staff who work in the sector and the State authorities like the HSE that play a large role in funding them.

"The regulation of designated centres for older and dependent persons is one important mechanism that aims to provide assurance to individuals and

their families," says Phelim Quinn, acting chief executive and director of regulation with HIQA. "Since 2009, HIQA has had responsibility for regulating the quality of services that are provided in designated centres in Ireland and this means that a framework of standards and regulations, against which services should be provided, is in place," he adds.

"Inspection is a critical component of ongoing monitoring. The majority of inspections are unannounced. The only exception relates to those inspections that are carried out to inform a decision of registration or registration renewal. Judgments are made and reported based on the relevant standards and regulations that describe what high-quality safe services should look like and what they aim to achieve for residents, when standards and regulations are met," says Quinn.

Currently, there are different types of inspections that HIQA

carries out, ranging from general outcome inspections, which assess the facility's compliance with all of the National Standards and regulations, right through to thematic or focused inspections, which examine overall compliance, while at the same time aiming to raise quality under a predetermined theme or themes.

"One of our key mechanisms for driving improvement is the introduction of thematic inspections where we focus on key standards where we believe improvement is needed. This year we have concentrated on nutrition and hydration and end of life care. Next year we will be focusing on dementia care," says Quinn.

"The type and frequency of inspections, are based on knowledge of the centre, the provider's history of compliance, whether information indicates that there is a risk to residents, and whether, in line with a proportionate, risk-based model of regulation, another monitoring intervention is more appropriate. This may involve requiring the provider to give more detailed information or to carry out a provider-led investigation," he adds.

"We know that staff and management in residential care



PHELIM QUINN

want to provide the best care for their residents and these new standards will help them promote improvement in areas such as medication management, person-centred care, infection prevention and risk management. Service providers are also more aware now of their responsibilities in ensuring the safety and wellbeing of residents and, having experienced regulation of the sector, they are also clear on the consequences of not doing so," he adds.

To date, the current standards have worked well for HIQA and the residential care sector and the ongoing implementation of the Standard 25B, which covers the "physical environment" will result in further improvements says Quinn.

The new draft standards set out requirements for minimum usable floor space for single rooms and shared rooms for residents.

**"Inspection is a critical component of ongoing monitoring. The majority of inspections are unannounced."**

“The monitoring of compliance is a continuous process which checks that providers continue to be fit persons and continue to deliver an appropriate standard of service as prescribed by the registration authority.”

The standards apply to services provided in all nursing homes, and other care settings such as geriatric hospital wards, run by the HSE, private organisations or voluntary bodies.

“The current standards are now five years old. We have learned a lot from five years of inspecting these centres and the new standards reflect where significant improvements have been made but also where further attention is needed,” says Quinn.

In making recommendations, the Authority is always mindful of available resources but we need to be clear that improvements in the safety of care do not always rely on increased resources, staffing or budget. Very often, improvements can be achieved as a result of doing things differently within existing resources. Common across many of HIQA's findings and recommendations is a recognised need for a change to existing work practices, the need for the effective management of services with clear accountability at all levels for the quality and safety of care, clear communication across all levels of service provision and the establishment of good governance arrangements to ensure that

services are managed effectively and efficiently in the best interests of service users. HIQA would acknowledge that there is a cost implication in the improvement of the physical environment in a number of nursing homes and other designated centres.

While most nursing homes in the private and voluntary sector are expected to have carried out the necessary improvements to meet the 2015 deadline for Standard 25B, there is concern that some of those operating in the public sector may not meet the deadline and any loss of capacity as a result of non-compliance could have a negative impact on capacity.

“The monitoring of compliance is a continuous process which checks that providers continue to be fit persons and continue to deliver an appropriate standard of service as prescribed by the registration authority. At all times the Chief Inspector must continue to be satisfied that the provider and all persons involved in the management of the centre are fit and that the centre is operating within the conditions which have been attached at registration. Where we believe that service providers are demonstrating genuine efforts to achieve standards we work with them through action plans to



ensure that improvements can be demonstrated.

“We published the Guidance for Designated Centres: Enforcement Policy in July 2014. This policy outlines the legal and administrative framework and principles within which HIQA will operate should a registered provider fail to comply with regulations and standards. We aim to ensure that there is full transparency to providers, people who use services, and the public of the legal and procedural options open to the Authority in dealing with non-compliance. HIQA will remain open and transparent in the way it deals with identified non-compliance and the way in which it uses its legal powers. This will be done through the publication of the associated relevant policies and procedures and through the issue of updated guidance to registered providers and other relevant stakeholders,” says Quinn.

In dealing with non-compliance, HIQA is guided by the ARI (attitude, risk, impact) principle. In terms of attitude, HIQA considers whether the attitude and knowledge of the provider is appropriate and, in particular, it assesses whether the provider has understood the issue and shown a willingness to put things right. The risk part of

the consideration assesses the risk to residents from any non-compliance and takes action higher up the regulatory response escalator where residents are at risk. Finally, in terms of impact, it assesses the impact of the concerns on outcomes for residents and whether the enforcement action will bring about the necessary improvement. When all of these elements are considered, HIQA then will take the most appropriate action matched to the degree of risk identified, according to Quinn.

The next big challenge for HIQA will be the proposed regulation of the home-care market. While there is a degree of regulation and enforcement of standards by the HSE, more comprehensive statutory regulations are expected to be enacted by 2016.

“The Programme for Government sets out the Government's intention to develop and implement national standards for home support services, which will be subject to HIQA inspection. Primary legislation and resources will be required for the introduction of a statutory regulation system for home care services. The timeline for the introduction of this legislation is a matter for the Government and the Department of Health,” concludes Quinn. ●

# ONE BANK APPROACH TO HEALTHCARE

**AIB is supporting the development of the Irish long-term care sector through a range of financing options and initiatives including a new €300 million Healthcare Fund.**

With an estimated shortfall of up to 8,000 beds predicted in long-term residential care facilities by 2021, it is clear that considerable investment will be needed over the coming years to increase capacity in this vitally important sector.

Over the past few years, various stakeholders, within the healthcare industry, have highlighted the significant shortage of bed capacity in Ireland and the impact this is having on the wider healthcare system not only impeding access to services, but also serving to increase the cost of care driven by less than efficient use of acute beds in our public hospital system.

The much-needed investment to address the capacity issues will come from a combination of State resources, existing operators and private equity while the banking sector will also play a key role in providing debt to help operators expand and grow.

"Lending to businesses engaged in the provision of care for the vulnerable in society requires an understanding of the risks and challenges," says Cathal O'Connor, Head of Healthcare, AIB Corporate Banking. "AIB already has an established track-record within the healthcare sector and it has developed a deep understanding of the issues



ANNE BANNON

and challenges that face owners and operators of residential care facilities throughout Ireland. The bank also acknowledges the scale of the challenges that lie ahead and is keen to support the construction, development and expansion of care facilities throughout Ireland," he says.

According to Anne Bannon, Head of Healthcare, AIB Business Banking, the bank's "One Bank" approach to working with and supporting Irish businesses, means that all the banking needs of a business are catered for under the one roof with a dedicated point of contact for all its business customers.

She says that the bank has developed a strong working relationship with many



CATHAL O'CONNOR

customers operating residential care facilities as well as those operating in the growing home-care sector which is playing an increasingly important role in the care and welfare of the elderly in Ireland. In addition the bank will consider re-financing existing operators who require alternative banking support as a result of the changing banking landscape.

"Apart from the normal day-to-day banking products like current accounts, loan finance, credit cards, working capital facilities and online banking, AIB is launching a €300 million Healthcare Fund that will support the expansion and growth of the long-term care sector, as well as other key healthcare services across the country," she says.

"In supporting the sector, AIB is also cognisant of the need to engage in prudent lending to all its customers. Some of the important considerations, from the bank's perspective, is the track record of the borrower and whether or not they are experienced operators. The bank will also examine care and governance procedures, details relating to staff training initiatives as well as all relevant HIQA reports. In the case of new developments or expansions of existing facilities, the bank will also look at planning applications and permissions as well as all design and construction related documents," adds Cathal O'Connor.

From AIB's experience, there are two broad categories of operators that wish to engage in an expansion programme. Some are existing operators who may have built up equity within their existing business. In this case the bank will take a view on the appropriate level of debt that can be supported by the existing and new development.

"In the second category, experienced operators may have an elevated level of debt in their existing business and as such require an element of equity finance to support a proposed development. In this instance, AIB will support operators who have partnered with an equity source," says Anne Bannon.

**"In supporting the sector, AIB is also cognisant of the need to engage in prudent lending to all its customers."**





"It is important to stress that all lending support for the development of new nursing home expansions or construction is based on the ability of the new facility to support the repayments through its cash-flow. With this in mind, we will require detailed financial projections, which will be assessed by the bank," she adds.

According to Cathal O'Connor, once a new development is up and running, the financial performance of a nursing home business is relatively predictable as it is driven by occupancy rates, Fair Deal rates achieved and underlying costs, particularly staff and utilities.

"Unlike most other businesses, the trading performance of a nursing home is dictated by the number of residents it can care for in the home and therefore the level of cash-flow to support any borrowings is finite," he says. "Our Healthcare Teams

**"AIB clearly understands the importance of the care sector to our communities and to the Irish economy."**

within the bank provide clear guidance to any existing or potential customers on what the bank believes to be appropriate debt levels. We hope this will be of value to customers in support of their expansion or investments plans," adds Cathal.

"AIB clearly understands the importance of the care sector to our communities and to the Irish economy recognising the need to support the development and construction of care facilities for the country's expanding population. The long-term care sector is a critical social cornerstone for the provision

of much needed care in our communities," adds Anne Bannon who points out that AIB has invested heavily in supporting the healthcare sector in recent years. AIB's Healthcare Team includes Cathal O'Connor within Corporate Banking, which deals with borrowings greater than €10 million, as well as a specialist team in Business Banking, led by Anne Bannon, which deals with funding requests for less than €10 million. In addition, the Healthcare team within Business Banking is supported regionally by three business teams that are situated in Dublin, Cork and Galway. ●

Lending criteria, terms and conditions apply.

Should you wish to discuss any aspect of your care business, please see contact details below;

**Anne Bannon**

Head of Healthcare  
AIB Business Banking  
Email: [anne.p.bannon@aib.ie](mailto:anne.p.bannon@aib.ie)  
Ph: +353 1 641 1802  
Mobile: 087 786 3308

**Cathal O'Connor**

Head of Healthcare  
AIB Corporate Banking  
Email: [cathal.t.oconnor@aib.ie](mailto:cathal.t.oconnor@aib.ie)  
Ph: +353 1 641 4812  
Mobile: 087 639 0167

**Ray Lynch**

Dublin & East New Business  
Mobile: 087 243 5905  
Email: [ray.w.lynch@aib.ie](mailto:ray.w.lynch@aib.ie)

**John Heapes**

Galway & West New Business  
Mobile: 086 381 2554  
Email: [john.heapes@aib.ie](mailto:john.heapes@aib.ie)

**Michael Hayes**

Cork & South New Business  
Mobile: 086 465 8530  
Email: [Michael.g.hayes@aib.ie](mailto:Michael.g.hayes@aib.ie)

# SERVING LOCAL COMMUNITIES

## Esker Lodge

**Cavan**  
**Co. Cavan**

Family has been a fundamental component of Esker Lodge Nursing Home from day one, as two generations of the McDwyers have looked after the people in their care.

Esker Lodge Nursing Home in Cavan was built in 2002 as a 44-bed facility by the parents (an accountant and a nurse respectively) of managing director Vicky McDwyer, who has been involved in the day-to-day running of the home for the last decade.

Having not come from a nursing background, McDwyer spent two years benchmarking Esker Lodge against other nursing homes. She joined the INHO – now Nursing Homes Ireland – and visited many similar facilities around the country to get an understanding of best practice in the sector.



VICKY McDWYER



“One of the key steps we had to take was to increase our capacity. In 2009 we extended from 44 beds to 70 and our staffing levels almost doubled, at which point we had also decided to develop a dementia-specific unit. There were increasing numbers of dementia sufferers entering the home who, because of their condition, required dementia specific care in a separate environment to those who needed general nursing care.”

The design of the 20-bed dedicated dementia unit was influenced by research conducted by the University of Stirling in Scotland, recognised as a centre of excellence for dementia facility design. The ground floor of the home was completely reconfigured to create a calmer, more domestic environment and make it easier for residents to move around.

The investment in staff that has been made at Esker Lodge is evidenced by the fact that it is one of a small handful of nursing homes in the country that has a registered nurse prescriber and McDwyer has also worked hard to create a connection with the local community.

“My goal is to improve the lives of people who come to live with us, to give them an opportunity to do new things and develop new skills as well as helping them with tasks

they are having difficulties with. We operate an open-door policy that encourages people to come in with their pets or share their hobbies, for example through knitting groups.”

She refers to a shift across the nursing home sector away from passive entertainment. “We have focused on getting residents engaged in activities and this has produced some great outcomes. When a team from the Cavan Museum came into the home



they brought some items with them, including a lamp that they were unable to identify. One of the residents was able to tell them that it was a special type of light used when milking cows in the dark."

Esker Lodge's open-door policy was highlighted during the summer when it staged a show day and invited community groups to get involved. As well as residents and relatives, staff and their families were involved in the event and McDwyer reckons there were more than 250 people at the show.

## Moorehall Lodge

Ardee  
Co. Louth

As both a qualified nurse and the owner of a residential care facility in Ardee, Co. Louth, Michael McCoy is uniquely positioned and well placed to understand both the challenges and opportunities that lie ahead for the residential care sector.

In the late 1990s Michael McCoy reached a crossroads in his professional life. His clinical nursing background, coupled with 10 years working in sales and marketing roles in the pharmaceutical sector, had equipped him with both business and health service skills and he had an ambition to make a difference to the way older people were living.

A piece of land was acquired in Ardee in 1998 and he set about developing a new residential home, Moorehall Lodge, which opened with a capacity of 30 beds. A second facility containing 108 beds was later developed in nearby Drogheda.

"It was quite small and homely at the beginning," recalls McCoy. "I married my wife

"It made such an impression that the residents were talking about it weeks later. They really enjoyed the sense of freedom to wander around and the involvement of people from the area, which in general has helped to make this a vibrant place to live."

Having a building that was developed in two phases means heating was a challenge, so in 2013 McDwyer engaged Eco Life Ireland to develop a hybrid heating and hot water system that could eliminate the home's heating oil consumption and help it use its gas boiler and ice sticks more efficiently.

"While the proposed system would reduce our running costs it also represented a significant investment. Eco Life had worked with AIB on other similar projects so we contacted AIB and they have been very supportive in terms of providing the finance needed to install the new system, which went live last November."

The relationship with AIB has subsequently extended to other areas of the business, most notably refinancing the extension completed in 2009. "We had a relatively complex finance arrangement with a bank that

is now exiting the Irish market and other financial institutions didn't seem to understand our requirements, so we decided that after the success of the heating project we should talk to AIB about our other financing needs."

"Anne Bannon, our relationship manager Leo Costello and Ken Rooney worked hard to get an understanding of what we are doing and structure a deal. In the longer term we have spare capacity that could be developed and I could see AIB as a partner on future developments."



Tanya (who was a teacher) in 1998 and we lived in the home and worked whatever hours were required. As demand for care services increased we expanded the facility and we soon reached the point where we felt we were struggling to make the necessary investment in the business because of lack of scale."

He says he was also concerned that the home was delivering care in an institutional manner. "In the late 2000s we started looking at how we could do things differently for the benefit of residents and offer a more personalised service."

The decision was taken to divide the now-81 bed home in Ardee into four households, each with its own front door, bell and post box and private and shared public areas. Recreational and social activities link with the community and there are dedicated spaces for favourite activities, from reading to gardening to exercising as well as private visiting areas for residents' family and friends.

There is a particular focus on intergenerational activities. The home won an age-friendly award at the Louth Looking Good Awards for a project which saw residents and local schoolchildren

co-operate on setting up three new gardens.

A similar approach has been taken at Moorehall Lodge Drogheda, which also offers specialist dementia care based on the 'Butterfly Approach'.

In March 2013, Moorehall Lodge Ardee became Ireland's first accredited Butterfly Centre in recognition of its unique work in the field of dementia care. The award was made by Dementia Care Matters, whose founder Dr David Sheard is a pioneer in person-centred care for people with dementia and who created the Butterfly Approach.



## ► CASE STUDIES

Dementia Care Matters worked with Moorehall Lodge over a period of several years to establish an approach to caring for people with dementia tailored to the specific needs of people living with the condition and their families.

The key element to this approach is 'living in the moment' – capturing the essence of that moment using visual triggers to stimulate recollections and to make emotional connections for that person. Being natural in dementia care involves flitting between people, being still if needed, connecting, creating colour in a flurry of activity, ultimately changing that moment for somebody and improving the quality of their lives.

In the 16 years since Moorehall Lodge Ardee accepted its first residents, the company has grown steadily and is now called Moorehall Living with four distinct service

offerings: Moorehall Lodge provides residential care; Moorehall Disability Service is a community-based service for adults with physical and intellectual disabilities; Moorehall Homecare provides care in the home; and Moorehall Retirement Villages, which caters for people over 55.

Inevitably, the development of these various services has involved considerable investment. This investment includes developing capable leadership and workforce together with HIQA-compliant and best practice facilities. McCoy has banked with AIB since the early 2000s and the bank has supported the various extensions undertaken by the business over that time. "I was a personal banking customer prior to setting up the business and it made sense to extend that relationship to the business."

He says it has been particularly helpful to deal with bank staff



MICHAEL MCCOY AND A RESIDENT OF MOOREHALL LODGE.

who understand his business and the environment in which it operates. "When you are talking to people about financial matters relating to the business it is very helpful when they understand what you are doing. A level of sector specialism is useful for a banking partner, especially when you consider the level of investment required in this business."

"Facilities and staff are expensive to acquire and maintain and with the HIQA tests coming in over recent years demands on the physical environment have greatly increased," he concludes. "Substantial funds are required to meet care home standards and it is also helpful to be able to bounce ideas off your relationship manager."

## Bridhaven

**Mallow  
Co. Cork**

Scale presents challenges, but also opportunities in the provision of nursing home care as Paul Rochford and his wife Maryclare have discovered over the last decade.

Having decided to find a venture that they could work on together, Paul and Maryclare Rochford acquired Bridhaven Nursing Home in Mallow in 2004. At that time the home had 24 beds, which quickly grew to 28. The home was further extended two years later to 64 beds, again to 134 beds in 2009 and then to 139 beds in 2011.

The latest extension brings the number of beds to 163 and

positions Bridhaven as among the largest private nursing homes in the country. One of the key elements of this expansion has been the development of a dementia-specific unit.

"When residents develop challenging behaviour that can be upsetting for other residents and their families, so the dedicated unit houses people with advanced dementia in a social care environment," explains Paul Rochford.

The Clyda Suite opened at the beginning of 2010. This purpose-built facility with its own secure gardens and therapy dog has 18 private en-suite bedrooms and is staffed by nurses and care staff who are trained to deal with challenging behaviour. Care in this unit is person-centred

and residents are encouraged to enjoy its individualised, flexible environment. Therapeutic activities such as baking,

gardening, arts and crafts, song and dance, reminiscence therapy, pet therapy and life story compilation are geared



specifically towards the needs of people with dementia. The day room opens out to a large, well-appointed garden area.

A strong management team has been crucial to managing the growth of the last decade. "We have about 150 people working here – it is like running a small hospital – but that scale enables increased investment in people, both in terms of training and recruitment," says Rochford. "We have a number of in-house trainers and we also engage external consultants."

This investment has been crucial to managing higher levels of dependency, both for staff and residents. "We are fortunate to have three separate floors that can be managed individually – it is almost like having three separate facilities on one site with different staff, which provides better continuity of care." The size of the facility also supports the employment of full-time professionals such as physiotherapists, who help residents maintain their mobility.

Technology is playing an increasingly important role in the care process, says Rochford.

"For example, sensor mats have become a vital component of fall prevention strategies and help people maintain their independence. Social networks have become an increasingly popular mechanism for families to keep in touch with what is going on in the home as we move away from website-based information towards the likes of Facebook."

Providing Wi-fi access in the rooms also enables families to use tablet devices to browse through family photos with residents.

AIB provided the finance for the acquisition of Bridhaven in 2004 and Paul and Maryclare have maintained a current account with AIB for the last decade.

"AIB has been very responsive and adapted its approach to business banking to reflect current economic circumstances. This realistic approach was one of the main reasons why we moved the mortgage financing of the home back to AIB earlier this year, although we also wanted to be with a bank that was actively lending and supporting businesses in Ireland. We considered other



PAUL AND MARYCLARE ROCHFORD

banks but we felt that AIB was the best option for us."

Rochford is particularly complimentary about the business online banking service, which he describes as far superior to that of other Irish banks. "This was another major factor in our decision to keep our day to day business banking with AIB over the past 10 years."

He says that if he was looking to finance a new business tomorrow, he would not look any further than AIB. "My relationship manager Mary Barrett is very approachable and easily contactable and Michael

Hayes (NEED TITLE) is also very progressive and forward thinking."

The medium-term plan for Bridhaven is to extend capacity to 175 beds in the next few years and a planning application is scheduled to be lodged on another site close to Cork city.

"Demand for additional care home capacity varies from area to area, but it is strong in Cork," Rochford concludes. "The majority of people who live into their 90s will suffer from some form of dementia and access to capital to develop new facilities will be crucial."

## All in Care

**Balbriggan  
Co. Dublin**

Celebrating 10 years in business in 2014, All in Care has grown to become one of the largest providers of home-care services in Ireland with over 400 staff.

Delivering a wide range of home-care packages, many of which are funded by the HSE, the home-care market has grown significantly over the past 10 years with no fewer than 22 different privately owned companies delivering a wide range of services on a daily basis.

One such company is All in Care, the Balbriggan-based provider of care services founded by Linda Murphy.

With a background in sales, having worked for Bord Gáis, Linda's career path took a fortuitous turn when she was asked to help sort out the administration and finances of a local care provider in north county Dublin 11 years ago. This provided her a valuable introduction to the dynamics of the rapidly growing home-care business and within months of taking up her new job, she knew that she was capable of building

a much better and more efficient care business herself.

"I could see the huge potential in it so I ended up leaving and going out on my own. I rented a small office on Railway Street in Balbriggan and it just took off from there," she recalls.

Ten years later, All in Care is now one of the biggest providers of home-care services in Leinster with a full and part-time workforce that is rapidly heading towards 500. HSE-approved, the company provides a range of services ranging from basic home-care packages right up



LINDA MURPHY

## ► CASE STUDIES

to more complex dementia and palliative care services.

At any one time, All in Care has approximately 400 clients on its books all with varying medical needs and requirements.

While the demand for home-care services has been growing steadily in recent years, the company has also built up a good reputation in the marketplace. Like many companies operating in the services sector, however, attention to detail, the quality of service and customer care is paramount.

From the outset, technology has played an important role in delivering the quality of service that is required in the industry. This system that All in Care developed covers everything from security, HR management, patient records and care plans as well as general back office administration.

"Initially, we started with a small IT system but we've invested heavily in developing it over the past number of years and we've even been approached by other companies in the market to see if we would licence it to them," she says.

Although the company focuses on the greater Dublin market, she envisages expanding into Kildare and other counties close to the capital.

Staff training is an important part of the day-to-day operations and all carers are



trained to FETAC Level 5. "We would also have a lot of our staff going on to Level 6, simply because the industry is now dealing with a lot more medical and clinical cases whether it's things like Alzheimer's, stroke victims, brain injuries. In the past many of these people might have gone on to residential care but because there's no places, more and more are going for home-care packages," she says.

"We have been asked to expand beyond this and into counties like Wexford, Cavan and Monaghan but we won't make any decision on this until 2015,"

she says. "Dublin is such a big market, with bigger volumes and it keeps us very busy; once you go further out, it's harder to get the right staff and your costs start to increase because you could be driving long distances back and forth to people and the HSE does not pay for mileage."

In the meantime, the next big stage in the company's story is the development of a short-term residential facility in Drumcondra in Dublin called Steps which will allow people access to respite care. The first phase will provide a 30 ensuite-bedroom facility. Two other development phases will see the capacity rise to 100 beds.

"Essentially, it's a step-down, step-up facility for people who may not be ready to go home after being in a hospital and for people who don't need to go to a full-time residential home. There is definitely a need for this

kind of care at the moment," she adds.

Finance for the Steps facility has been provided by AIB, she says. "I've had a good relationship with the bank and it has been good to deal with them as they understand the business but thankfully a lot of the growth down through the years has been funded by the business."

She says that the company is also exploring its options in the long-term care space. "I would like to get into long-term residential care but at the moment there's only so many hours in the day. If we do get into it, we would do it differently and I think there would be a big element of assisted-living involved. The reality is there is a shortage of long-term beds in the system at the moment and demand is increasing all the time, so it would be the right thing for us to do over the longer term," she concludes. ●

**"From the outset, technology has played an important role in delivering the quality of service that is required in the industry."**



# OUTLOOK

Outlook is a series of AIB reports that examine and analyse the key issues affecting particular sectors and sub-sectors within the Irish economy.

To download the reports and view videos with industry experts visit **[www.aib.ie/outlook](http://www.aib.ie/outlook)**



Our next report (Issue 10) will focus on the Beef Sector.

In association with:

