DELIVERING A CARING SOCIETY

Private and voluntary nursing homes continue to play a key role in the day-to-day care of Ireland's ageing population.

Tadhg Daly
Chief Executive,
Nursing Homes Ireland
nhi

With 440 registered private and voluntary nursing homes in Ireland providing residential care to over 24,000 people at the end of 2018, the sector plays an important role in the day-today social fabric of Ireland, acting as a pivotal focus point for the State in the deployment of nursing and social care for the country's ageing population.

The long-term care sector, however, is facing numerous challenges and if the commitments made by the Government in its Sláintecare strategy are to be met, a radical new approach to solving these challenges will be required says **Tadhg Daly, Chief Executive of Nursing Homes Ireland (NHI)**, the representative organisation for the private and voluntary nursing home sector in Ireland.

"There appears to be a broad political consensus around the Government's Sláintecare proposals and that is to be welcomed. However the narrative, in our view, isn't being followed through with meaningful actions and while everyone agrees about some of the main problems like the high level of delayed discharges from acute hospitals and the inappropriate admission of elderly people to hospitals, the services provided by our members can be part of the solution by keeping people out of hospitals in the first place and alleviating some of the challenges our hospitals face. For this to happen, however, the Government needs to engage in a true partnership to utilise the Irish nursing home sector to its fullest capacity and ensure that it continues to play a key role in the deployment of care for our ageing population," he says.

"There are clearly many competing and very important demands in healthcare at the moment and while we are not saying the private and voluntary nursing home sector is the most important, we definitely have a key and essential role to play in the provision of care for our elderly population. We require a mature discussion with the Government about how our members can help solve some of the problems, while at the same time help it plan for the future," he adds.

He points out that the HSE Performance Report for December 2018 indicated that, at the end of 2018, approximately 57% of the patients that were classified delayed discharged patients were awaiting long-term nursing care.

"This equates to 118,592 of the 206,600 bed days lost because of delayed discharges in our acute hospitals during 2018. So, it's very clear to us that we have a very important role to play in solving some of the challenges within the wider healthcare system and we need the Government to acknowledge this and work with us," he adds.

He apportions some of the blame for the current problems on the lack of adequate funding provided for the Fair Deal scheme and subsequent delays in accessing this funding.

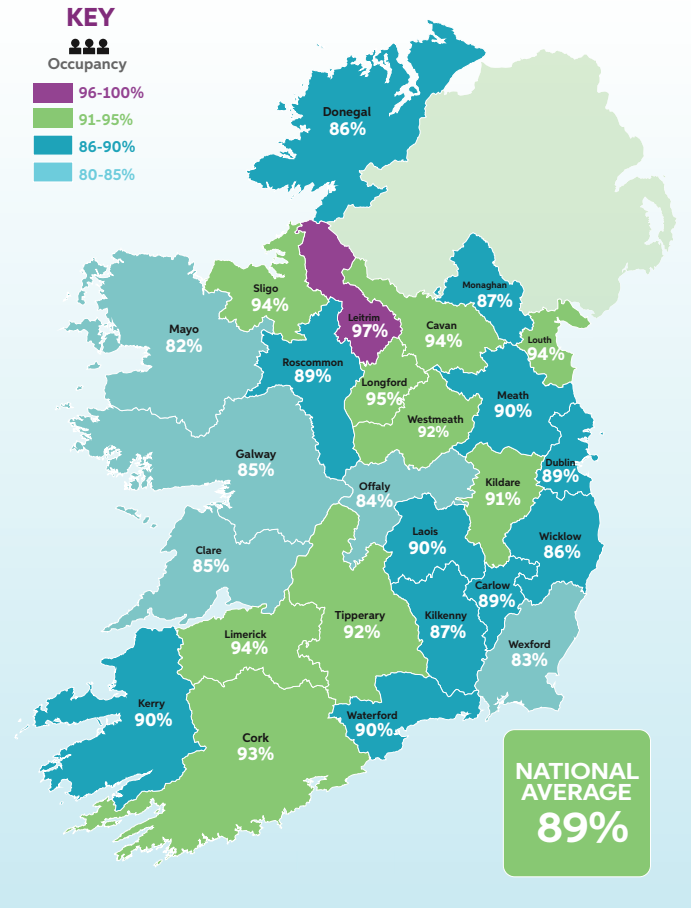
According to the HSE's Performance Report 2018, the Fair Deal supported 9,028 new people to enter nursing home care around the country last year.

"This year, however, the HSE's Service Plan only made provision for 91 additional people to be funded under Fair Deal and it was inevitable that this was not going to be enough to meet the demand. What caught many in the sector by surprise, however, was this happened so quickly in the early part of the year," says Tadhg.

He also points out that NHI's members are still waiting for the long-delayed review of the Fair Deal Scheme pricing mechanism which has been underway since 2015.

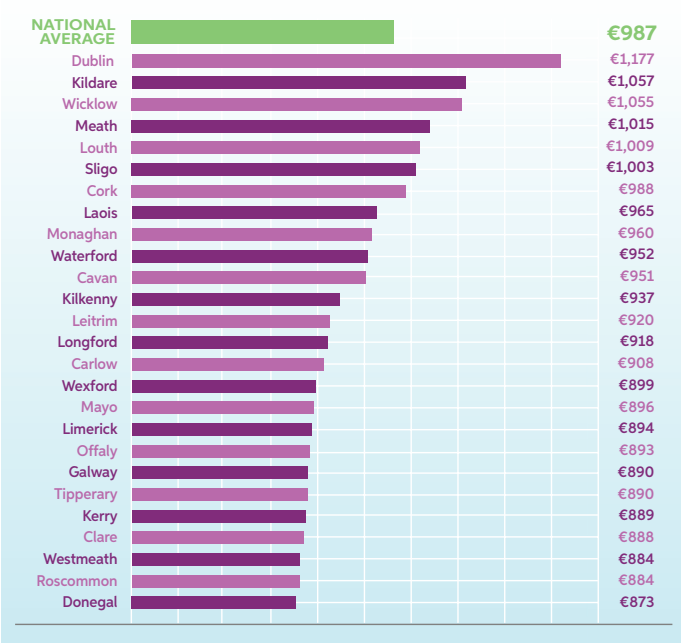
"There is still a lot of uncertainty about the pricing review which was first established back in 2015. It was supposed to have been published in 2017 but now it's 2019 and it still hasn't been published. Our understanding is that it

Fig.1: AVERAGE OCCUPANCY RATES BY COUNTY



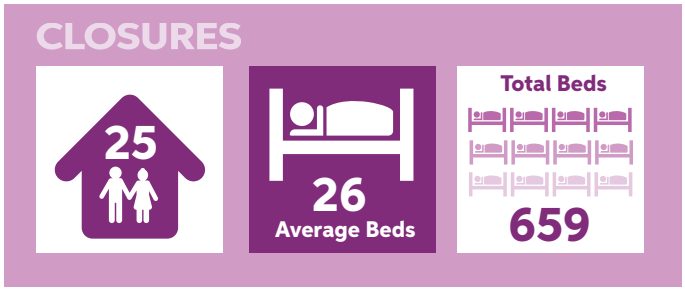
Source: HIQA reports and beds registered up to 31/10/2019.

Fig.2: **FAIR DEAL COUNTY AVERAGES - AUGUST 2019**



Source: HSE up to 14/08/2019.

Fig.3: **HOMES IN FAIR DEAL SCHEME CLOSED SINCE 2013**



Source: HSE and HIQA as of 31/10/ 2019.

was finally submitted to the Department of Health by the National Treatment Purchase Fund in May, so it needs to be published without further delay," he says.

"It's important that this review addresses the current inequalities in how nursing home care is funded in Ireland. We need to see a level playing field for all providers of nursing home care because this would bring a degree of certainty to the sector and allow it plan for future demand. At the moment, the current funding regime in so far as it applies to HSE-run nursing homes does not represent good value for the taxpayer. Recent media reports suggest that €700m will be required to bring many of these HSE nursing homes up to HIQA physical environment standards, which, at a time of constrained public finances, is incredible. So, it's a matter of utmost importance that the Government publishes this report," Tadhg says.

The existing funding regime has led to a climate of uncertainty within the nursing home sector, he adds. "At a time when NHI members are facing increases in the cost of staffing, utilities, insurance and compliance with HIQA standards, they need certainty and to see a vision of what the future might look like," he says.

"While some might see it as an attractive sector, when you scratch the surface it's a very challenging environment for many nursing home operators and HIQA recently noted that some of the smaller nursing homes are closing because they are no longer financially viable, particularly outside of Dublin **(Fig.3)**. The reality is that more and more nursing homes are providing more acute and high dependency care, all of which is highly regulated, yet there is no recognition of this in the funding regime that currently exists," says Tadhg.

An analysis carried out by AIB on nursing homes over the perod 2015 - 2017, shows that operating costs continued to increase faster than growth in turnover and the fair deal rates which reduced margins for nursing homes **(Figs.5&6)**.

Apart from increased rates, higher utility bills and insurance, one of the biggest challenges NHI members continue to face is staff recruitment and retention, Tadhg says.

"Staff recruitment and retention continues to be a big issue for our members. Given that over 60% of turnover goes on staff costs, this is particularly worrying. Our sector is by no means unique and the shortage is evident across the health service but if our members are to continue to provide the appropriate levels of care, this needs to be addressed.

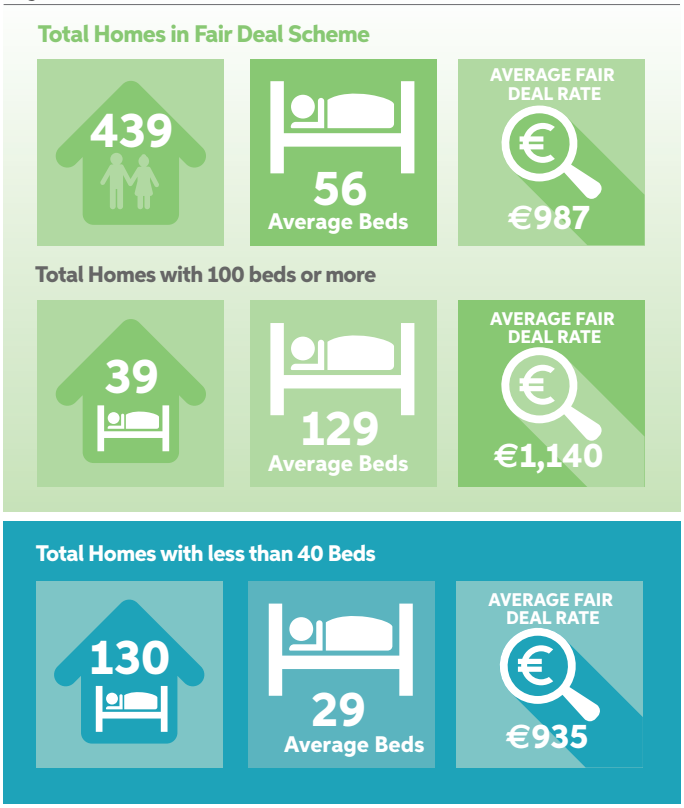
"From our own surveys of members, we know that most of them are finding it difficult to recruit healthcare assistants (HCAs). At a time when we are seeing people with higher acuity presenting, this is a major concern and we have been lobbying Government to remove HCAs from the Ineligible Categories of Employment Permits List on a controlled basis. The lifting of current restrictions that are in place for HCAs will go some way in addressing the recruitment challenges facing the healthcare sector, including those faced by our members," he says.

With the Central Statistics Office (CSO) estimating that the number of people over the age of 85 is expected to increase by 49% over the next 10 years, he points out that this will place additional pressures on the Government's finances while it will also test the abilities of both the private and public nursing home sector to deliver the required capacity to meet this anticipated demand for services.

"Capacity has not risen significantly in recent years and last year around 500 beds were added but little by way of new builds. Some of our members opted to extend their existing premises but the reality is that only a couple of new homes are being built outside Dublin, mainly because it doesn't make economic sense. This point was noted by DKM Economic Consultants in their report back in 2015. It doesn't make economic sense because the Fair Deal rates for nursing homes around the country are so low. So, if capacity is to increase to meet the expected demand in the future, we need to see some positive action," he says.

"We all know that we have an ageing population and we talk about Sláintecare and its importance. We have argued that there is an increased role for the nursing home sector to play in the continuum of care and day care but there needs to be a mature debate about the future of the sector that involves the Government and a greater acknowledgment that we do have an important role to play and that the sector does provide value for money for the state. We want to engage with the Government in the true spirit of partnership and work out a shared vision that should be about the future of how society provides adequately for its ageing population and how we go about achieving this in a fair and equitable manner without being territorial. A shared vision should be a big part of Sláintecare," he says. "But the greatest risk to all of this, is to do nothing," concludes Tadhg. ■

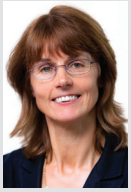
Fig.4: **FAIR DEAL RATES - AUGUST 2019**



Sourcse: HSE and HIQA up to 14/08/2019.

SUPPORTING IRISH NURSING HOMES

Despite the challenges, the outlook for the nursing home sector remains positive as demand for both long and short-term care beds continues to increase across the country due to Ireland's ageing population.



Anne Bannon
Head of Healthcare & Life Sciences, AIB Business Banking

The CSO forecasts that, in 2019, the number of people aged 65 years and over will increase by 21,969 while the number of people over the age of 85 will increase by 3,116, with the numbers forecast to increase further each year into the future. It is now widely accepted by all industry stakeholders that additional bed capacity will be required to meet the predicted increase in demand over the coming years.

"AIB has had a very busy year in the nursing home sector and we have a strong pipeline of proposals to fund acquisitions, refinances and shareholder buyouts. We are seeing proposals to fund investment by operators to future proof their homes and increase the number of beds. We are also seeing a small number of new builds," says **Anne Bannon, Head of Healthcare & Life Sciences, AIB Business Banking**.

She says that over 1,700 net new beds have been added over the past three years, all provided by the private sector through a combination of new homes and extensions to existing facilities. While occupancy levels are high in some parts of the country, in 2019, occupancy levels have fallen in counties Donegal, Kilkenny, Wicklow, Wexford as well as in Dublin, where a number of new homes opened during the year are still filling up. **(Fig.1)**.

"While there has been a small number of new homes opened over the past year, mainly in Dublin, outside the capital there are operators who would be interested in building a new home or a large extension in areas with strong demand but the Fair Deal rate, high build costs and the length of time it takes to complete a development then to fill up new beds make it challenging,"says Anne.

"AIB has had a very busy year in the nursing home sector and we have a strong pipeline of proposals to fund acquisitions, refinances and shareholder buyouts."

"In many parts of the country, demand for nursing home beds exceeds supply, in some areas, occupancy levels are still below 90%, there may be beds available that could be used to alleviate hospital overcrowding".

The national average Fair Deal rate increased by €25 or 2.6% in the year to August 2019. "The average fair deal rate for homes in counties Donegal, Offaly and Roscommon which were the lowest in the country, got the highest rate increases of between 4% and 5.2%. Nursing homes in Dublin and Wicklow received the lowest rate increases of less than 2% on average," she adds.

She points out that homes with less than 40 beds received an average rate increase of 2.8% to bring their average rate to €935, 5.6% below the national average **(Fig.4)**. Smaller homes continue to be particularly challenged as operating costs and regulatory pressures continue to build in the sector.

"There is a trend towards larger homes to achieve economies of scale with 39 homes in the fair deal scheme now having 100 or more beds. Many smaller homes will need to scale up to remain viable in the future" Anne says.

"Consolidation in the sector also continues, with an increase in the number of operators with two or more homes" she says.

Mary-Clare Roche-Nagle
Head of Residential & Nursing Home Care, AIB Corporate Banking

According to **Mary-Clare Roche-Nagle, Head of Residential & Nursing Home Care, AIB Corporate Banking**, activity and transactions in the nursing home sector have increased over the past year as a number of nursing home groups continue to increase bed capacity and grow as the market continues to slowly consolidate.

"This level of activity includes acquisitions of nursing homes, greenfield developments and extensions. The most notable increase has been in the acquisition of nursing home properties in isolation from the trading business. These transactions in particular are being driven by overseas investors attracted to the nursing home sector given the quasi-government backed revenue streams, the ageing and growing demographic and attractive yields, all of which is driving the continued activity and investment," she says.

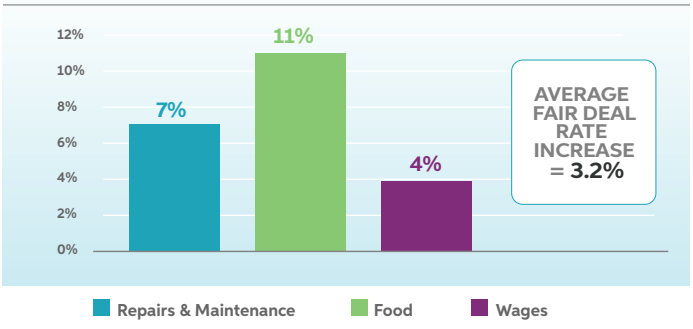
"Consolidation in the sector is likely to continue and the transaction momentum and future pipeline of deals remains strong not only for a number of existing active players but also for recent and new entrants to the marketplace".

Overall, however, the outlook for the Irish nursing home sector remains favourable.

"AIB understands the key role nursing homes play in Ireland's healthcare sector and we are committed to supporting its future development. We have a range of products and services available to help operators with business expansion, asset finance and working capital," says Anne Bannon.

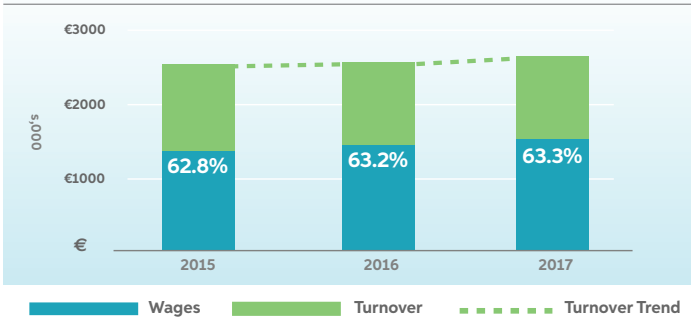
"In addition to our Sector Specialist teams in both Business and Corporate Banking, we have dedicated relationship managers across the country who are keen to develop relationships with existing and new customers in the nursing home sector" she concludes. ■

Fig.5: KEY COST ANALYSIS - 2015-2017



Source: AIB Data.

Fig.6: TURNOVER AND WAGES TREND ANALYSIS - 2015-2017



Source: AIB Data.

CASE STUDIES

Two AIB customers and nursing home owners share their views about the sector.

Home to 49 resident and employing 77 full and part-time staff, **Lake House Nursing Home in Dunfanaghy, Donegal** has been operational since 1984 and owned by the Gray family since 2004.

Mirroring national trends that show a much older and higher dependent cohort requiring nursing home care, the experience of Lake House is no different to many other nursing homes around the country.

"The dependency level of people entering the home has increased significantly in recent years, which means we need more staff and equipment to care for the same number of people," says **Des Gray**.

"We are fortunate to have high quality, experienced staff because it takes years to develop the knowledge required to care for people with dementia and all the associated skills in areas such as manual handling," he says.

He says that approximately 85% of the home's residents have some form of dementia. However, recruiting nursing staff with the requisite care skills has proved very difficult and the home has had to recruit nurses in Poland and Romania last year.

Lake House Nursing Home

"The dependency level of people entering the home has increased significantly in recent years, which means we need more staff and equipment to care for the same number of people."

"It is also difficult for private nursing homes to compete with HSE homes because they can offer additional benefits in terms of extra holidays, overtime, night shift allowance and pensions that the tight budgets in the private sector don't give us the scope to match," says Des.

"We offer as much flexibility as we can and the pay scales for care staff and nurses are comparable between the private and public sector, but we simply could not offer the same level of maternity leave, for example," he adds.

Des also points out that there is an urgent need for more care home places in north Donegal and Lake House currently has 20 people on its waiting list. He also adds that complying with HIQA regulations requires considerable investment by the home.

"Complying with various regulations requires ongoing investment," he explains. "For example, over the last year we have spent hundreds of thousands of euro upgrading the home including the installation of a new fire system."

He also believes the Fair Deal is unfair to nursing home operators in Donegal, noting that the county gets the lowest subsidy of any county in Ireland.

"We receive €885 a week, whereas a similar home in Sligo could receive €1000 for providing the same care. It is also unfair that services people who are living at home receive from their local health board (especially those with limited mobility) have to be paid for by that person or their family when they move into a home."

Lake House Nursing Home is a relatively new customer for AIB, having only moved its business to the bank earlier this year. "We have found the team at AIB to be very helpful," says Gray. "They restructured our facilities and showed a real understanding of the nursing home market," he concludes. ■

James O'Reilly

Altadore Retirement Nursing Home was established in 1990 and is located in Glenageary, adjacent to the Ailt an Oir sheltered housing complex for older people established by the Dublin Central Mission. The home employs 65 people and is owned by **James O'Reilly**, who refers to two main challenges facing the nursing home sector.

"Firstly, there is the retention and recruitment of staff, which is most acute in the south east Dublin region due to very high housing and rental costs," he says. "The other issue is funding under Fair Deal. The methods by which this scheme is administered have major flaws and can prove very unfair towards those progressive nursing home operators who are willing to invest heavily in their facilities and staffing," says James.

Between 2013 and 2017, Altadore underwent an expansion with finance from AIB. It invested in an additional 26 new ensuite bedrooms as well as an activity room, a new reception area, secure garden facilities and a new dining room, all of which were designed with HIQA standards in mind.

"Our facility could allow for another five bedrooms subject to planning approval and we may look at this at some time in the near future," says James, who suggests that the Fair Deal scheme provides no financial incentive to raise standards since it does not incentivise class leading facilities.

"AIB has supported us over the years, including during those difficult years from 2010 to 2015 when we took the opportunity to expand and improve."

"The scheme is very good from the resident's perspective as it guarantees access to nursing home care for all, regardless of means," he adds. "Obviously, the more financial income and assets you have the more you will contribute and this is why we would see more of our residents funding their care themselves in recent years," he says.

This is in large part due to increasing property values and potential rental income. A resident choosing to pay their nursing fees privately can offset all income sources - including rental from the property they are leaving - against their tax. This plays a big factor in the affordability of paying privately, he points out.

"From the nursing home's perspective, the Fair Deal needs improvement," he says. "Facilities that offer high quality accommodation and service need to be paid higher Fair Deal rates than those that do not meet high standards. The wasteful overpayment of resources to sustain HSE-operated facilities needs scrutiny and changes to ensure the overall budget goes further and obtains value for the taxpayer."

He says that the business has banked with AIB since it opened. "AIB has supported us over the years, including during those difficult years from 2010 to 2015 when we took the opportunity to expand and improve. It has recognised our long relationship and funded our needs while also remaining flexible as things changed," he concludes. ■

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