



# Pre Budget Submission 2013

September 2013

PROVIDING LEADERSHIP

SUPPORTING MEMBERS

PROMOTING EXCELLENCE

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## **Introduction**

Nursing Homes Ireland is the representative organisation for the private and voluntary nursing homes sector. This sector, and the care our members provide, are key parts of the Irish health service. Having high quality nursing home care available to those who need it is an essential part of a well-functioning health service which delivers the care people need in a way that is affordable, accessible, and of the highest standard.

The sector plays a critical and key role in healthcare delivery and job facilitation.

The private and voluntary nursing home sector, through its 447 homes:

- Is providing care and a 'home from home' for 22,000+ persons
- Accounts for 75% of all long-term care beds in the country
- Provides direct employment to 22,000+ persons
- Facilitates direct and indirect employment to approx. 44,000 persons
- Is a very significant employer within urban and rural communities, acting as economic dynamos within such settings. In many instances the private or voluntary nursing home is the largest employer within the community, playing a key role in supporting local goods and services providers.
- Provides diverse, wide-ranging employment including nurses, carers, caterers, admin staff, and ancillary workers. The 440+ private and voluntary nursing homes also play a lead role engaging local healthcare professionals including GPs, therapists, dieticians, physiotherapists.
- Has collectively invested up to €2 billion developing high quality specialist healthcare facilities that meet robust regulatory requirements.

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## **Sector contribution**

The 22,000 persons directly employed by the private and voluntary nursing home sector contribute over €170 m<sup>i</sup> to the exchequer on an annual basis through direct taxation paid. Hundreds of millions is also paid directly by the sector on an annual basis to the State through payment of commercial rates, water charges, VAT and other spend.

The Nursing Home Support Scheme (Fair Deal) is the principle means of financial support for persons availing of the specialist care of nursing homes and is a co-payment scheme. The average weekly contribution to the State by each person supported by Fair Deal is €280<sup>ii</sup>. At the end of May 2013, 16,924 long term care residents were supported by Fair Deal in private and voluntary nursing homes<sup>iii</sup>. 5,055 persons were supported in public homes. The overall weekly contribution to the State arising from that level of support is over €5.5 million, €290 million per annum. The contribution by residents cared for in the private and voluntary nursing home sector equates to €4.1 million per week, €216m per annum.

The 440+ private and voluntary nursing homes provide dedicated, specialist, round-the-clock care to meet the healthcare requirements of our ageing population. They play a vital and critical role within Ireland's healthcare sector. As outlined further in this submission, the role it plays can be further utilised and enhanced to alleviate pressures being brought to bear upon State provision of healthcare, and this can bring significant savings to State spend on healthcare.

At the end of April 2013, 873 persons were on the national placement list for Fair Deal and 43% of applications (375) were from persons within the acute hospital sector<sup>iv</sup>. Persons 65+ accounted for 39.7% of total bed days within the acute hospital sector in year 2011<sup>v</sup>. The daily charge for inpatient services in the acute hospital sector where overnight accommodation is provided is up to €1,222, equating to €8,554 per person over a weekly period<sup>vi</sup>. The reality is the cost to provide care in a hospital setting for the 375 persons awaiting Fair Deal is approx. €3.2 million per week. The average weekly cost to provide care in private and voluntary nursing homes is €888<sup>vii</sup>. Therefore, the equivalent costing to provide healthcare in a nursing home for the 375 persons awaiting Fair Deal is approx. €333,000, representing an 872% differential between the cost of care in an acute hospital and a private and voluntary nursing home over a week. Per annum the equivalent saving is €150m to the State, indicating the speedy discharge of residents to private and voluntary nursing homes could provide savings in excess of the projected HSE 2013 budget shortfall of €104m<sup>viii</sup>.

Fair Deal affords persons the right to choose where they wish to avail of long-term residential care, be it from a public, private or voluntary nursing home. Care provided by the HSE in public nursing homes is significantly more expensive for the State than that of private and voluntary nursing homes, with the most recently published HSE cost of care figures for such homes – March 2011 – informing an average weekly costing of €1,245. It should be noted that published public costs are underestimated, excluding capital costs. It should also be noted that while the NTPF are charged with the responsibility with negotiating a fee with the private and voluntary sector, the HSE simply publish the cost with no such negotiations.

The reality is the State wishes to purchase care from the private and voluntary nursing home sector for an average price that is up to 50% below that provided to public nursing homes. "We have to ask why

50% additional costs pertain in public long-term institutions and facilities for the care of the elderly which do not apply in the private sector," Minister for Health James Reilly, November 2011.

## **The significant growth in requirement for nursing home services**

Significant improvements in living standards and in medical and health care are leading to substantial growth in the numbers living longer and growing older. While this is to be welcomed, it also presents significant challenges surrounding our requirements to meet the healthcare needs of our older population. The following is of key importance:

- Over the five year period 2006 – 2011 the number of persons aged 65+ increased 14%, an increase of 76,467 (467,926 – 535,393)<sup>ix</sup>
- The number of persons aged 80+ also increased 14%, from 112,912 to 128,529<sup>x</sup>
- The CSO states the very old population (persons aged 80+) “is set to rise even more dramatically” in the years ahead<sup>xi</sup>
- The population projection for persons aged 65+ for year 2021 is 733,300, which will represent a 37% increase on 2011 population
- The population projection for persons aged 80+ for year 2021 is 175,700, which will represent a 37% increase on 2011 population
- The ESRI projects the population aged 65+ with severe disabilities will increase by 56% to 2021 from 2006 levels (from a population cohort of 94,400 to 147,677)

The very significant growth in numbers growing older, particularly amongst the very old population, is leading to increased growth in demand for long-term residential care. Repeated warnings emanating from respected organisations in respect of the growth in demand for such care are stark.

- The ESRI projects additional requirement for 13,324 long-term care places – 888 annually –to meet growth in requirement 2007 - 2021
- The Centre for Ageing Research & Development in Ireland (CARDI) projects the numbers requiring this specialist care will increase from 12,270 to 14,502 to 2021 from 2006 numbers.
- The World Health Organization and European Observatory on Health Systems and Policies projects the numbers in long-term residential care in 2016 will be 31,725

The nursing home population has correspondently grown with increased requirement for nursing home care. According to Census 2011, 26,265 persons resided in such homes. By comparison, the nursing home population in 2006 was 21,553, indicating a 21.8% growth in the five year period. In recent years, the private and voluntary sector has ‘stepped forward’ to meet the growth in demand. Supply rose from 14,946 beds in 2003 to 20,590 2009, and this was coupled with the creation of approx. 5,550+ direct jobs.

At the time of writing, the most recent HSE Performance Report – May 2013 – informs:

- 21,979 persons are financially supported through the Nursing Home Support Scheme( Fair Deal)
- 16,924 persons reside in private & voluntary nursing homes supported by the Nursing Home Support Scheme (Fair Deal)
- 5,055 persons reside in public nursing homes

## Issues & challenges

The substantial growth in numbers growing older brings increased demand for the specialist care provided by nursing homes. Demand for nursing home care will soon supersede the capacity of the sector to meet requirement. This is already becoming evident. The HSE National Operational Plan 2013 states: “Based on population projections, there will be a significant national deficit of long stay beds by 2016 based on the HSE’s target of 4% of older persons in long stay care.” It also states: “There are areas currently that have an under supply of beds, particularly Dublin and other urban centres.”

Requirement for nursing home care has grown significantly in the past decade and the private and voluntary sector has ‘stepped up to the mark’ to meet this challenge. The HSE has publicly stated capital investment worth €1.7 billion is required to maintain its current level of long term care provision. Investment of €834m is required to maintain public provision of public nursing home care and address current capacity issues. A further €850m would be required for the State to maintain a 20% presence to 2023 in the provision of long-term residential care. In our view, such a significant outlay would not represent the best use of scarce State resources. Even with such significant investment, the State would still have to face up to its responsibility to meet the considerable growth in requirement for long-term residential care. A considerable increase in the numbers of beds and staff to provide specialist care for persons requiring such care will remain an issue the Government has to address, even with a massive outlay on public homes as outlined by the HSE. In 2012 78% of new persons supported by the Fair Deal chose private and voluntary nursing homes. The private and voluntary nursing home sector must be provided with a framework and stimulus that will enable it expand to meet the long-term residential care requirements of our older population. Our warnings in this respect cannot be ignored and the crisis facing us also represents significant opportunity for sustainable job creation in local communities.

In 2003, the private & voluntary sector provided total bed capacity of 14,946 and as of July 2013 the private and voluntary sector capacity has increased to 22,333 bed numbers.<sup>xii</sup> The growth between the years 2003 – 2009 has slowed significantly in the past four years, yet demand for the care continues to grow steadily. From 2003 through to 2009 the private and voluntary sector experienced an increase in supply in excess of 1,000 beds annually however this has slowed dramatically in the past four years. The sector is now significantly hampered in its ability to expand in order to meet future requirements and, in turn, create sustainable employment. The considerable challenges presented to our sector include:

- Private and voluntary nursing homes are hugely dependent upon bank funding to meet the considerable investment required to build, extend and equip these dedicated healthcare settings. Despite being presented with considered and future-projected business plans that outline strong cases to make dedicated capital available, banks are hesitant to lend. There has been a noticeable decline in the numbers seeking and gaining funding from the banking sector. With the Fair Deal scheme currently being reviewed, banks are citing uncertainty surrounding it as one of the reasons not to lend. Public comment suggesting funds be deviated from the scheme is increasing the level of uncertainty. In this regard we welcome the commitment of Minister Lynch to ‘ring-fence’ the Nursing Home Support Scheme (Fair Deal) budget to ensure the financial support allocated to support persons requiring the specialised care of nursing homes remains transparent<sup>xiii</sup>. In order to fund any new development, banks are seeking between 25% and 30% equity investment and short financing periods. This is negatively

affecting the required development within the sector, with such requirements not feasible for many private and voluntary nursing homes seeking to further develop services.

- The NTPF is the authority designated by the Minister for Health to negotiate a maximum price for the provision of care under the Nursing Home Support Scheme (Fair Deal). In this respect it is afforded a dominant position, and has sought to impose a discriminatory maximum price cap on the price to be paid for nursing home care, without due regard to the costs incurred by those nursing homes in running their business. Uncertainty with regard to the Nursing Home Support Scheme (Fair Deal) and the fees negotiated under the scheme have undermined the confidence of financial institutions, equity investors and nursing home operators and led to slowdown in required investment. Operators of new builds have no certainty with regard to the weekly fee that will be ‘negotiated’ for persons supported by Fair Deal. In a business context, this creates great uncertainty for prospective investors and is acting as a major deterrent.
- Nursing Home Support Scheme (Fair Deal) was designed to support residents of high and maximum dependency. Post the introduction of Fair Deal the dependency of levels of residents in nursing homes has risen dramatically but the necessary financial support to meet the complex care requirements is not provided by the scheme. Prospective investors are not investing in long-term residential care because the significant investment that is required to provide complex care and meet strict regulatory requirements is not recognised in the current NTPF ‘negotiations’.
- Private and voluntary nursing homes capital cost and capital repayments are not considered in negotiating the Fair Deal price for care with the NTPF. As previously advised, nursing homes undertaking a new build / extension are required to fund 25% or 30% from their own reserves, as the bank will only fund a project to the value of 70% to 75%. The current methodology is based on the historic NTPF model or marginal costing designed to meet the cost of care in private hospitals for public patients. It is not, in our view, suited to the delivery of long term care of residents in private and voluntary nursing homes.
- The NTPF’s narrow definition of long term residential care services fails to take into consideration private and voluntary nursing homes statutory responsibility to deliver upon HIQA’s national quality standards.
- Due to issues outlined, a large number of current operators do not have the capacity in order to finance new developments.
- VAT on a new build is a prohibitive factor that is negating expansion and new build. As nursing homes do not charge residents VAT, they cannot reclaim VAT on new builds or purchases. .

Government policy to ensure persons can avail of care in the home and community is commendable but there must be continued recognition of the increase in demand for long-stay residential care. Nursing home care is dedicated and specialist. A care needs assessment is carried out by an appropriate healthcare profession to assess whether a person requires the continuous, specialist care of a nursing home. Care within the nursing homes is provided by a specialist team that meets the resident’s healthcare and lifestyle requirements. Policy makers must heed warning issued by CARDI October 2012, when it warned of the significant growth in requirement for nursing home care. “Even with greater



emphasis on care at home and more resources provided to realise it, the demand for residential care is going to increase significantly in the next decade.”<sup>xiv</sup>

## **Requirements**

The healthcare sector and wider Irish society is faced with significant growth in demand for long-term residential care, coupled with considerable constraints in respect of public sector provision. The challenges to ensure our older population can avail of the specialist care nursing home provide are considerable. They cannot be ignored and must be addressed and embraced.

Government, the Department of Health and policy stakeholders must develop a coherent policy framework to meet the significant growth in requirement. Doing so will bring considerable benefits to the health service, the national economy and the economies of local communities. The private and voluntary nursing home sector can, with the right conditions, meet the required expansion over the next decade and in doing so create thousands of jobs within the construction sector and up to 10,000 direct sustainable jobs within the healthcare sector.

To support investment and job creation, NHI calls for the following immediate actions to be undertaken:

- The enactment of an immediate stimulus programme and a strategy to enable our sector to expand and develop new facilities to meet the considerable growth in requirement for long-term residential care.
- An enhanced framework that recognises and supports the increasingly complex care requirements of nursing home residents
- Funding must remain 'ring-fenced' in the dedicated budget sub-head to ensure that persons requiring nursing home care can avail of funding. This principle ensures that financial support for persons requiring long-term residential care is managed in a transparent manner.
- There is an urgent requirement to review the resourcing of the Fair Deal scheme. Persons Fair Deal approved are experiencing lengthy delays while awaiting funding. In over 40% of such cases, they are within an acute hospital, a setting that is considerably more expensive for the State to support them within. This scenario is leading to bed shortages within our hospitals and they are not the suitable or appropriate setting to meet their care requirements. Indeed a prolonged stay within such a setting can lead to deterioration in health. Despite such issues, Department of Health internal documents reveal more than 2,000 people will be waiting for a nursing home place by year end, with waiting time to avail of financial support of Fair Deal set to rise to 17 weeks<sup>xv</sup>.
- The State must engage with our sector to ensure the role of nursing homes in delivering specialised care is utilised and enhanced. Private and voluntary nursing homes, as specialist care providers within communities that are subject to independent robust regulation, can play key roles in fulfilling our population's healthcare requirements in respect of respite, intermediate, rehabilitation and home care, and independent and assisted living.

Given the critical role of the private and voluntary nursing home sector in job facilitation and the significant opportunities it presents for job creation within local communities, it is critical the Government engages with the sector promptly to discuss and agree a framework and initiatives that will enable it fulfil its potential and ensure our ageing population can access the specialist care nursing homes provide. NHI is recommending the following immediate initiatives be implemented to stimulate the sector. Further measures will also be required to enable it fulfil its jobs and healthcare provision potential but we believe the actions outlined should be implemented to provide a necessary immediate stimulus.

1. For a period of five years the rate of VAT applied to the construction and associated costs of any new residential care project should not be applicable for VAT payment or marginally rated.
2. Planning contribution fees should be waived during an agreed time defined period on such developments.
3. Operators of new builds should be afforded opportunity to agree in advance the Fair Deal rate for residents that will be supported within the new care facility.

## **Conclusion**

For every 100 new beds provided within the nursing home sector, 100-full time sustainable jobs are created. The jobs are of critical importance to local communities and the sector is a diverse employer, with staffing requirements including management, nurses, carers, catering, administration and cleaning staff. Furthermore, the required development within the sector will provide significant stimulus for construction & associated sectors.

Nursing homes are significant employers within local communities and act as economic dynamos within such settings. Such homes, which are in many cases the largest employer within the community, play a key role in fulfilling and sustaining employment within local services and businesses.

An Taoiseach Enda Kenny has stated he wants Ireland to be the best country in the world in which to grow old. The significant growth in demand amongst our ageing population for long-term residential care cannot be ignored. An environment that encourages investment within the sector, coupled with an appropriate framework to support the complex care requirements of persons requiring long-term residential care, is a necessity to meet our ageing population's demands and to bring necessary expansion to this specific healthcare sector. A sustainable national policy to meet such requirement must be implemented. NHI reiterates its call for the creation of a 'Forum on Long Term Residential Care' to bring stakeholders together to map out the future of nursing home care and implement an appropriate framework to meet the significant growing requirement for it.

The right stimulus programme, coupled with an appropriate funding model to support high quality care and ongoing investment in new capacity and service development, is an immediate requirement. This will:

- Support and enable our sector meet the residential care requirements of our ageing population
- Ensure the viability of the private and voluntary nursing homes operating within our sector
- Create the right environment to facilitate the creation of up to 10,000 direct new jobs.
- Further stimulate growth of these key healthcare providers and the economies of local urban and rural communities.

We again call upon the Government to deliver to ensure our sector can expand to meet the well documented residential care requirements of our ageing population and realise the opportunity presented for significant sustainable local job creation.

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<sup>i</sup> Average earnings €36,079 and average tax contribution €7,891, Small Firms Association

<sup>ii</sup> Minister for Health James Reilly, Dáil Éireann 4<sup>th</sup> July 2013

<sup>iii</sup> HSE April 2013 Performance Report

<sup>iv</sup> Minister for Older Persons Kathleen Lynch, Dáil Éireann 2<sup>nd</sup> July 2013

<sup>v</sup> ESRI: Activity in Acute Public Hospitals in Ireland Annual Report 2011

<sup>vi</sup> Enacted Health Amendment Bill 2013

<sup>vii</sup> Nursing Home Support Scheme Maximum agreed prices with private & voluntary nursing homes, July 2013, HSE

<sup>viii</sup> HSE May 2013 Performance Report National Service Plan 2013

<sup>ix</sup> CSO Census 2011

<sup>x</sup> CSO Census 2011

<sup>xi</sup> CSO Population and Labour Force Projections, 2016-2046

<sup>xii</sup> Beds registered with HIQA 23<sup>rd</sup> July 2013

<sup>xiii</sup> Oireachtas Health Committee debate, 25<sup>th</sup> July 2013

<sup>xiv</sup> *Future Demand for Long-Term Care in Ireland*, October 2012

<sup>xv</sup> *The Irish Times*, 29<sup>th</sup> July 2013