



# Pre Budget Submission 2017

**July 2016**

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 intrinsic to healthcare delivery in Ireland. 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 vast majority of persons availing of nursing home care are supported by the Nursing Home Support Scheme, commonly known as Fair Deal. It is designed for persons with high and maximum dependency care requirements who require nursing home care. All persons supported by it are independently assessed by the HSE to ensure nursing home care is what is most suited to their care requirements. The Nursing Home Support Scheme Care Needs Assessment determines the requirement for residential care.

Nursing home care plays a critical and fundamental role in healthcare delivery and job facilitation. The private and voluntary nursing home sector, through its 437 homes:

- Is providing care and a 'home from home' within dedicated healthcare settings for 22,000+ persons
- Accounts for 80% of all long-term care beds in the country

At year-end 2015, 17,266 persons were supported by the Fair Deal scheme to avail of nursing home care in private nursing homes<sup>1</sup>. Statistics provided to NHI by the HSE state 4,470 persons in 2015 were discharged to nursing homes from acute hospitals under the HSE's transitional care initiative. 2,910 persons assigned to private nursing homes under the Fair Deal scheme had their initial source of referral as being an acute hospital. During 2015, 8,499 new persons were supported by Fair Deal.

As well as its fundamental importance for healthcare delivery, the private and voluntary nursing home sector fulfils a critical role for employment provision and in supporting national and local economy. The sector:

- Provides direct employment to 24,000+ persons
- Facilitates direct and indirect employment to approx. 44,000 persons
- Is often the largest employer within an urban or rural community, town or village. Its influence is spread across the country, with 430+ private and voluntary nursing homes spread across counties, cities, towns and villages. Employment within a specific setting ranges from dozens to beyond 100 persons.
- Provides diverse, wide-ranging employment that includes nurses, carers, caterers, admin staff, and ancillary workers.
- Plays a lead role in employing the services of local health and social care professionals including GPs, therapists, dieticians, physiotherapists.
- Has collectively invested up to €2 billion developing high quality specialist healthcare facilities that meet robust regulatory requirements.

Nursing homes provide a more appropriate and affordable alternative for individuals whose specialist care needs would otherwise have to be met in an acute hospital setting. Significantly the costs of providing this care in an acute hospital are a multiple of between five and eight times the cost of providing nursing home care.

These dedicated health settings within our local communities fulfil a critical and key role for thousands across the country in healthcare delivery and job facilitation.

## **PRIVATE & VOLUNTARY NURSING HOME CARE – FULFILING A VITAL HEALTHCARE & ECONOMIC ROLE WITHIN IRISH SOCIETY**

### **HEALTHCARE**

*“We have freed up approximately 265 beds every day to be used by patients, which is a capacity increase equivalent to a medium-sized hospital,” then Minister for Health Leo Varadkar, Dáil Éireann, 10<sup>th</sup> November, speaking regarding reduction in number of persons ‘delayed discharged’ in Irish hospitals. Arising from high numbers ‘delayed discharged’ and extreme pressures upon acute hospital emergency departments, in April 2015 the Government committed an additional €44 million to lower the waiting time to access Fair Deal funding. The necessary investment fulfilled a lead role in addressing the issue of high number of persons delayed discharged in Irish hospitals, the majority of whom were awaiting access to nursing home care.*

Nursing home care has an intrinsic role to fulfil within a proper functioning health service. The healthcare needs of our population must be met through the development of a true continuum of care that enables persons to avail of the care that is best suited to their care needs and, where possible, is facilitated within their community.

Such a continuum must ensure that our ever-increasing older population has access to the health and social care most appropriate to their needs at the most appropriate stage. Intrinsic within such a continuum is the provision of long-term residential care within our communities. Nursing home care enables persons to avail of specialist, round-the-clock care, within a dedicated ‘home from home’ health setting that encompasses ongoing access to clinical support, and ensures persons with high dependency needs have their health, care and living requirements met on an continuous basis. Timely access to the specialist care provided within our local communities by nursing homes is critical to enable acute hospitals focus on delivering the medical care they specialise in. Contrary to pronouncements in healthcare discussion, Ireland is below many of its European peers in terms of the percentage of older population that avails of nursing home care. Within Nordic countries, the percentage of older population availing of nursing home care is higher than it is within Ireland<sup>ii</sup>.

Speaking in respect of the Fair Deal scheme before the Oireachtas Health Committee in February 2015, Tony O’Brien, HSE Director General outlined the critical importance of efficient running of the Fair Deal scheme for wider healthcare delivery. “There is a direct correlation between the increase in waiting time [Fair Deal] and the increase in numbers on the waiting list for the scheme, the number of delayed discharges in hospitals and the numbers recorded as waiting for admission on hospital trolleys each day,” he informed the Committee.

Over the course of 2015, the number of beds ‘lost’ through ‘delayed discharge’ patients was reduced by 24.7% - a gain of 5,432 bed days. At year end, 72.9% of persons delayed discharged were awaiting long-term nursing care. The commitment of an additional €44 million to support the Fair Deal scheme and ensure timely access to nursing home care played a lead role in addressing overcrowding issues within our acute hospitals.

In 2015, 8,449 persons entered the Fair Deal scheme. In its end of the year performance report, the HSE noted a trend emerging of higher numbers leaving the scheme and people applying later for it than in previous years, with length of stay in nursing homes subsequently decreasing. This is reflective of the higher dependency care needs of persons availing of nursing home care.

Under the Nursing Homes Support Scheme Act 2009, the Fair Deal budget is ring-fenced to ensure funding allocated from the specific budget is specifically used to support persons who require nursing home care. Within the aforementioned continuum, dedicated budgets should support the differing care forms. This can ensure transparency and clarity is applied in respect of health spending. Persons should be entitled to access the funding support from the dedicated 'ring-fenced' budget that is resourced to meet population's demands for that specific type of care. Insufficient resourcing of specific care budgets should never be utilised as opportunity to deflect resourcing from other healthcare budgets.

### ***ECONOMIC CONTRIBUTION***

The 24,000 persons directly employed by the private and voluntary nursing home sector contribute over €185 million 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 associated contributions to economy offered by a service providers who operate on a round-the-clock basis.

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 Department of Health review of the scheme informed resident contributions amounted to approximately €293 million in 2014. At the end of 2014 the average weekly contribution was €294 for each person living in a private nursing home and €285 per person in public nursing homes. Up to the end of April, €36.3m had been repaid to the State from / on behalf of Fair Deal participants<sup>iii</sup>.

Private and voluntary nursing homes are economic dynamos within our local communities, facilitating large-scale, high-skilled, diverse employment. They are not exclusive to urban settings, but are located within urban and rural cities, towns, villages and communities across Ireland. With our population ageing rapidly, their role within healthcare delivery and in turn supporting local and national economy will increase significantly, but a sustainable funding framework is necessary to ensure this growth.

## **THE CHALLENGES**

### ***BEING TASKED WITH PROVIDING CARE FOR FEES THAT ARE OVER HALF THOSE PROVIDED TO HSE NURSING HOMES***

Despite repeated representations by NHI and within Leinster House, it is over five years (March 2011) since the HSE have published the cost of care within HSE nursing homes. This raises major issues concerning fairness and transparency within the nursing home sector, with the up-to-date fees for private and voluntary nursing homes being published on an ongoing basis.

Despite the failure by the HSE / Department in this regard, we are aware a very significant chasm exists between the fees that are payable to private and voluntary nursing homes and their HSE counterparts. The review of the Nursing Home Support Scheme (Fair Deal) stated the average weekly cost of care in a private or voluntary nursing home was €893 at year end 2014. The average cost in a public home was €1,390. The review informed a national average 58% differential between fees paid to HSE nursing homes and those paid to private nursing homes.

As evident, the reality is the State wishes to purchase care from the private and voluntary nursing home sector for fees that are average 58% below those provided to HSE nursing homes. The review of Fair Deal recommended the HSE be required to publish the cost of care per its nursing homes on an annual basis. The issue surrounding the substantial fee differentials between the sectors has been long-standing. “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,” former Minister for Health James Reilly stated in November 2011.

It is also worth noting the weekly cost of care within the acute hospital sector is circa €6,000. For every 1,000 of the population who cannot access nursing home care and remain in acute care, the State is incurring a per week cost of €6m. The comparable cost of accommodating the very same population in appropriate private nursing home care is circa €893,000. The cost savings and benefits to the Exchequer, on an annualised basis, are enormous – circa €265m.

### ***MEETING MINIMUM / LIVING WAGE COSTS***

Private and voluntary nursing homes, which are largely entirely dependent upon the Fair Deal fee paid by State for provision of services, will be unable to absorb labour cost increases if they are not legitimately recognised by the State in payments of fees to nursing homes. Our sector is unique in that its income is effectively set by the State through the Nursing Home Support Scheme (Fair Deal).

Private and voluntary nursing homes operate within a constrained economic environment as their income is fixed. A monopoly purchaser of care – the NTPF (National Treatment Purchase Fund) – is operating on behalf of the State to set fees payable for residents supported by the Fair Deal. Failure to agree a fee with the NTPF effectively results in the exclusion of the nursing home from the Fair Deal scheme. No independent appeals process exists for nursing homes dissatisfied with fee proposed by the NTPF.

Any proposed increase in the national minimum wage and/ or introduction of living wage and its impact on the nursing home sector must be costed and provided for by Government in the Fair Deal budget. An increase in baseline salaries leads to a 'ripple effect' of pay increases on salaries. It would result in upward pressure on all role levels of base pay. This is the domino impact that would cause the greatest impact on our sector. Government must acknowledge on a formal basis the necessity for the NTPF to recognise within fees payable to nursing homes any proposed increase in the minimum wage.

As advised further within this submission, the National Competitiveness Council reported in April that labour costs grew substantially by 2.1% during the first nine months of the year 2015. Such significant increases in the cost of providing services – and further cost pressures are outlined further within this submission – must be recognised within the payment of fees to nursing homes.

NHI commissioned BDO to undertake analysis of the cost implications of changes to the national minimum wage / introduction of living wage. The extract provided below from its report, *Examination of the Financial Impact on the Nursing Home Sector of Changes to the National Minimum Wage* (July 2016) highlight the very significant implications of such changes.



***BDO, Examination of the Financial Impact on the Nursing Home Sector of Changes to the National Minimum Wage (July 2016)***

With staff costs representing the biggest single element of operating costs in any nursing home, the knock on effect of an increase in the minimum wage is likely to result in additional costs of circa €34k to €79k annually depending on the size and location of the nursing home. It would require an increase in the Fair Deal rate of 2.2% just to absorb this increase in payroll costs. The overall cost to the private and voluntary sector has been estimated to be in the region of €21.8m per annum based on the BDO analysis

Further increases in the minimum wage to €10.50, as proposed under the life of this government, will result in an additional annual cost to the sector of €53.8m. An increase in the Fair Deal fees payable to nursing homes of 5.5% would be required to absorb this increase in payroll costs.

The cost to individual nursing home operators will range from €83k to €196k per annum

In a competitive labour market, any efforts or attempts by the private and voluntary nursing home sector to offer a living wage as a means of attracting and retaining staff represents the greatest financial challenge to the sector. Such measures will result in additional payroll costs of €146k to €343k per annum for individual nursing home operators. It would require an increase in the Fair Deal rate of 2.2% just to absorb this increase in payroll costs.

The cost to the sector as a whole could be as much as €94.5m per annum. As outlined previously, the estimates of cost set out above are based on the impact of increases in the minimum wage on the payroll costs attributable to only 60% of the payroll bill in the typical nursing home. The analysis has not taken into account the knock on-effect such increases may have on the entire payroll bill.

For this reason, the actual cost is likely to be somewhat higher, and in our opinion the estimates above should be viewed as the minimum cost to operators and the sector as a whole of increases in the minimum wage.

We recognise that these costs will place increasing pressure on the Fair Deal budget. However, unless the rates paid by the NTPF are cognisant of the increasing staff costs faced by even the most prudent of nursing home operators, it may not be financially viable or sustainable for all nursing home operators to continue to provide the level of care required to meet the needs of our older population. This has implications not just for the nursing home sector or care for our older population.

***A full copy of the report outlining implications for private and voluntary nursing homes of increase in minimum wage / introduction of living wage is provided with this submission.***

The consequence of an increase in the National Minimum Wage or introduction of a Living Wage is one arm of the State imposing significant increased costs upon nursing homes. There is imperative requirement for an increase in a nursing homes wage levels derived from one arm of the State to be recognised by another arm of it – the NTPF (fee negotiator) /HSE (fee payer) - under the Fair Deal scheme. Failure by the State to recognise the implications of an increase in wage levels arising from increase in minimum / living wage would undermine its stance in such regard.

**It is imperative any increase in the national minimum wage / introduction of living wage is recognised within pricing agreements that are agreed between State and nursing home providers. Private and voluntary nursing homes, which are largely entirely dependent upon price paid by State for provision of services, will be unable to absorb labour cost increases if they are not legitimately recognised. Failure to recognise the costs associated with increase in minimum wage could threaten capacity of nursing homes in service provision.**

**Provision for cost increases including wage increases as outlined and costed are a necessity in the NHSS (Fair Deal) budget 2017**

#### ***AN INTENSIVE COST PRESSURED BUSINESS ENVIRONMENT***

*“Given the level of services the Exchequer procures from the private nursing home sector, several hundred million euros per annum, the pricing model for doing so has developed in an ad hoc way, and lacks rationale, consistency and fairness,” DKM Economic Consultants report on behalf of the Department of Health, Potential Measures to Encourage Provision of Nursing Home & Community Nursing Unit Facilities*

NHI welcomed the additional resourcing provided to support the Fair Deal scheme in 2015. However, it must be recognised the principle purpose of this was to meet the growing requirement for the specialist care provided by nursing homes and enable more timely access to nursing home care. It was not allocated to meet the significant increases in cost pressures faced by providers to provide nursing home care.

Failure to introduce a payment framework that recognises the reality of the costs for provision of dedicated healthcare for persons with highly complex healthcare requirements is threatening the sustainability of private and voluntary nursing homes.

The Department of Health review of the Nursing Home Support Scheme (Fair Deal), undertaken by Deloitte, recognised Fair Deal fees have not been in keeping with CPI increases. It stated: “They [the NTPF] have provided us with the following information on the changes in prices in the period 2010 to 2013. This indicates that the increase in prices negotiated (1.71%) has been lower than the increase in the CPI over the same period (3.79%).” This is a very serious anomaly within a business environment and demonstrates the sustained pressures upon operators tasked with providing complex healthcare for older persons. It is also widely accepted and agreed that Consumer Price

Index (CPI) is not an appropriate index given healthcare inflation is much higher combined with the fact that the sector is highly labour intensive.

The private and voluntary nursing home sector is subject to increasing, significant and sustained cost pressures, operating in a business environment in which:

- The **Consumer Price Index** has increased 3.7% over a five year period (2010 – 2015)<sup>iv</sup>. Irish consumer prices are over 20% above the euro area average<sup>v</sup>.
- **Labour costs** grew substantially by 2.1% during the first nine months of year 2015<sup>vi</sup>
- **Fuel (electricity, gas and other fuels) costs** have increased 19.6% over a five year period (2010 – 2015)<sup>vii</sup> Industrial energy prices for larger energy users were 4% higher than the euro area average in the first half of 2015. Industrial electricity prices for SME energy users in Ireland are almost 6% higher than the euro area average<sup>viii</sup>. It should be noted nursing homes – 24/7 operators – are high intensive energy users.
- **Insurance costs** have increased by 29.6% since 2011. The Irish Small and Medium Enterprises Association’s Quarterly Trends Survey for Q4 2015 found that 75% of businesses had experienced insurance cost increases.
- **Commercial rates** are increasing substantially. Revenue collected by Local Authorities through commercial rates doubled over the period 2002 to 2015.<sup>ix</sup> Changes to the Commercial Rates system – a move to payments of rates based upon valuations provided by the Valuation Office – have led to significant increases in such payments that have not been reflected in Fair Deal fees.

It should be noted nursing homes operate on a 24/7, year-round basis, which results in increases in the business cost environment heaping substantial pressures upon providers if fees are not recognising them. Nursing homes are also subject to stringent national standards that incur significant costs.

The costs listed above are indicative of the pressurised economic environment nursing homes are operating within. NHI’s Annual Survey 2014/2015, published last year, outlined specific increases in operating costs that providers have been incurring. These included:

- **Staff cost** accounts for 61% of turnover in private and voluntary nursing homes. The national average staff cost per registered bed was found to have increased by 18% since 2009, and was at €27,130.
- The increase in **pay rates** for nurses during the year 2014 averaged 7.32% and for healthcare assistants the average increase was 5.41%.
- **Annual food cost** had increased by 13.4% per resident over the 2009 – 2014 period.
- Nursing homes incurred significant costs to undertake **capital works** to bring their premises into compliance with HIQA *National Quality Standards for Residential Care Settings for Older People in Ireland*. The average capital expenditure incurred by nursing homes over a 36 month period was €579,430 and total expenditure that had been incurred was averaged at €1,136,942.

Another significant cost pressure being incurred upon nursing homes is that for the **recruitment of nurses**. As per the wider health service, our sector is faced with a shortfall of nurses. This has been exacerbated by the lifting of the HSE's recruitment embargo, with many private and voluntary nursing homes struggling to compete with the additional benefits offered by the HSE to nurses it employs. Nursing homes have pursued the recruitment of nurses from abroad, from as far afield as India and the Philippines, to identify and recruit suitable candidates to fulfil posts. Costs of circa €10,000 are being incurred by nursing homes per nurse for identifying the nursing candidate, meeting their transport and accommodation costs, and training and ensuring they are compliant and registered to work within the Irish health service.

Private and voluntary nursing homes are unique in how they operate within the business sector. Unlike other business environments, nursing homes are not in a position to increase fees / charges for services to encompass their running costs.

The National Treatment Purchase Fund (NTPF) enjoys a dominant position in its 'negotiations' with nursing home operators on the price to be paid for nursing home care. In a normal 'market', price is usually greater than cost, enabling a service provider to reinvest. However, given the State's dominant market position, nursing homes do not operate in a normal 'market'.

#### **MEETING INCREASINGLY HIGH DEPENDENCY CARE NEEDS**

Failure to introduce a payment framework that recognises the reality of the costs for provision of dedicated healthcare for persons with highly complex healthcare requirements is threatening the sustainability of private and voluntary nursing homes.

The Department of Health commissioned DKM Economic Analysis report, *Potential Measures to Encourage Provision of Nursing Home & Community Nursing Unit Facilities*, which was published in December, highlighted the significant discrepancy in fees payable for nursing home care across the country. It stated: "There is a very significant range in Fair Deal weekly payment rates geographically, from below €600 to in excess of €1,300. We know of no other area of State procurement of services where such price variation exists."

The stark analysis also pointed to the lack of reference within fees payable for nursing home care in respect of the differing levels of care needs amongst residents. It stated the fee structure "discourages the development of more specialised facilities (for dementia, etc) where more expensive care is required" and "creates an incentive to actively discourage acceptance of high dependency residents by nursing homes". It said long-term fee deals are difficult to negotiate, stating "because the prices struck don't reflect dependency levels of nursing home costs, operators are reluctant to enter into long-term deals, as they hope to negotiate a better deal into the future". From a business / provider perspective, this creates great uncertainty with regard to the level of income that will be derived to provide the care services.

DKM's analysis further added: "In short, it is untenable that the State quality regulator can assess differentiated dependency levels and in doing so impose costs on nursing homes, while the State

price regulator claims it is unable to reflect the same factor in its pricing decisions...In summary, given the level of services the Exchequer procures from the private nursing home sector, several hundred million euros per annum, the pricing model for doing so has developed in an ad hoc way, and lacks rationale, consistency and fairness.”

Over half of the persons who require the continuous, specialist care provided by nursing homes – 65% - are categorised as having high or maximum care dependency requirements. 46% are ‘older old’ persons - above the age of 85<sup>x</sup>.

The Dementia Services Information and Development Centre, in its report *An Irish National Survey of Dementia in Long Term Residential Care*, stated requirement for “fairer resource allocation, in recognition of the skill mix of staff employed in Specialist Care Units”. It also states private and voluntary nursing homes are the majority providers of specialist dementia care in Ireland, with 70% of this care delivered by these nursing homes.

The Department’s Review of Fair Deal Scheme stated average length of stay in nursing homes has reduced from four years, when the scheme first commenced (2009), to 1.9 years. This is reflective of the increased dependency levels of residents requiring nursing home care and increases in the complexity of their care requirements.

The sector is characterised by committed and resilient operators. However, they are being tasked with operating within a unique economic framework, with a monopoly purchaser responsible for the setting of fees payable. Indeed, the stark shortcomings of the framework have been identified within two Department of Health commissioned analyses: the review of the Fair Deal scheme and the DKM analysis.

Private and voluntary nursing homes are economic dynamos within urban and rural communities across Ireland. It is imperative the appropriate funding framework is in place to ensure the viability of private and voluntary sector providers and to enable them create the capacity and jobs that will meet growth in requirement for this dedicated care within our local communities.

**The private and voluntary nursing home sector requires an evidence-based cost of care model that acknowledges the true cost of providing residential nursing home care. This essential element is currently absent from the framework for ‘negotiations’ between the NTPF, which is responsible for setting fees on behalf of the State, and individual nursing homes. The procedures applied to negotiations with nursing home providers must be fair, transparent and consistent.**

**Fair Deal should be a reasonable rate based on ROI and capex and not an arbitrary decision by NTPF e.g. county averages. There should also be an agreed annual indexation mechanism to increase rates based on legitimate cost increases. The NTPF previously included a indexation measure so there is precedent there.**

***EII (EMPLOYMENT AND INVESTMENT INCENTIVE) SCHEME***

The Finance Act 2014 extended the EII Scheme to ‘qualifying nursing homes’ and ‘qualifying residential units’ which carry on the trade of operating or managing nursing homes or residential care homes. In addition, the scheme was extended to qualifying nursing homes and qualifying residential units that manage property used as nursing homes or residential care homes.

The objectives of EIS, include the following:

- To support the creation and retention of employment in small and medium sized enterprises across the economy. Part of this value added aim includes a positive impact on Exchequer cashflows such as increased payroll taxes, corporation tax, as well as savings on social protection payments
- To help address the market failure in relation to equity capital investment, which can act as a barrier to sales growth and market development for SME’s
- To help the survival of companies (and their retention in Ireland) beyond the initial development stage.

Further to Finance Act 2015, a qualifying company must now also meet the requirements of paragraph 5 and 6 of Article 21 of Commission Regulation (EU) 651/2014.

A company which issues shares on or after 13 October 2015 will be only be a qualifying company if it falls within the following paragraphs;

*Paragraph 5 (Raising EII funding for the first time)*

Eligible undertakings shall be undertakings, which at the time of the initial EII funding, are unlisted SMEs and fulfil at least one of the following conditions:

- a) they have not been operating in any market;
- b) they have been operating in any market for less than 7 years following their first commercial sale or;
- c) the undertaking requires EII funding which, based on a business plan prepared in view of entering a new product or geographical market, is higher than 50% of their average annual turnover in the preceding 5 years.

*Paragraph 6 (Raising EII funding for the second time)*

The aid may also cover follow-on investments made in eligible undertakings, including after the 7 year period mentioned in paragraph 5(b), if the following cumulative conditions are fulfilled:

- a) the total amount of risk finance mentioned in paragraph 9 (€15m) is not exceeded;
- b) the possibility of follow-on investments was foreseen in the original business plan and;

c) the undertaking receiving follow-on investments has not become linked, within the meaning of Article 3(3) of Annex I with another undertaking other than the financial intermediary or the independent private investor providing risk finance under the measure, unless the new entity fulfils the conditions of the SME definition.

The extension of the EII scheme to qualifying nursing homes who wish to use the funding to increase the capacity of the Nursing Homes is restricted to new Nursing Homes or Nursing Homes in operation less than 7 years. The restrictive qualifying criteria introduced under the 2015 Finance Act render the scheme ineffective for nursing home operators.

The nursing home sector is highly labour intensive delivering additional payroll and help to reduce the numbers on the Live Register with the associated savings in the social welfare benefits.

This clearly demonstrates that amendment of the restrictive criteria of the EII scheme to the nursing home sector could be self-financing and could ultimately deliver a positive return to the Exchequer.

**The extension of EII to Nursing Homes was recommended by NHI in our pre budget submission and we acknowledge the extension as a positive move in principle.**

**The extension of EII was also recommended in the DKM report *Potential Measures to Encourage Provision of Nursing Home & Community Nursing Unit Facilities* published by the Department of Health in December 2015.**

**However the restrictive qualifying criteria introduced under the 2015 Finance Act render the scheme ineffective for existing nursing home operators**

**It is noted that the Department of Finance committed to monitor the EII and a further review of the Scheme in 2016 at which time more data will be available on the levels of take up and effectiveness of the EII.**

**The nursing home sector is highly labour intensive delivering additional payroll and help to reduce the numbers on the Live Register with the associated savings in the social welfare benefits.**

**This clearly demonstrates that amendment of the restrictive criteria of the EII scheme to the nursing home sector could be self-financing and could ultimately deliver a positive return to the Exchequer.**

**NHI recommends that the restrictive criteria introduced in 2015 Finance Act be rescinded and amended.**

## **SUMMARY**

It is imperative cost associated with provision of high quality person centred care be recognised by the State as the monopoly purchaser. The NHSS (Fair Deal) budget 2017 must be adequately resourced and increased to address the incessant and sustained cost pressures together with any further increase in the national minimum wage / introduction of living wage. The true costs must be recognised within pricing agreements that are agreed between State and nursing home providers. Private and voluntary nursing homes, which are largely entirely dependent upon price paid by State for provision of services, will be unable to absorb further cost increases. Failure to recognise the costs associated with provision of high quality residential care including further increases in minimum wage could threaten capacity of nursing home provision resulting in increased cost to the State through public provision and additional demands on an already stretched acute hospital system.

- Additional funding required in 2017 Budget for the NHSS (Fair Deal) to take account of the increasing costs to providers – general business costs and payroll costs.
- The private and voluntary nursing home sector requires an evidence-based cost of care model that acknowledges the true cost of providing residential nursing home care. This essential element is currently absent from the framework for ‘negotiations’ between the NTPF, which is responsible for setting fees on behalf of the State, and individual nursing homes. The procedures applied to negotiations with nursing home providers must be fair, transparent and consistent together with an independent appeals process.
- Fair Deal should be a reasonable rate based on ROI and capex and not an arbitrary decision by NTPF e.g. county averages. There should also be an agreed annual indexation mechanism to increase rates based on legitimate cost increases. The NTPF previously included an indexation measure so there is precedent there.
- The nursing home sector is highly labour intensive delivering additional payroll and help to reduce the numbers on the Live Register with the associated savings in the social welfare benefits. This clearly demonstrates that amendment of the restrictive criteria of the EIS scheme to the nursing home sector could be self-financing and could ultimately deliver a positive return to the Exchequer. NHI recommends that the restrictive criteria introduced in 2015 Finance Act be rescinded and amended.



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<sup>i</sup> HSE Performance Report for December 2015

<sup>ii</sup> *Projecting The Impact of Demographic Change On The Demand For And Delivery Of Health Care In Ireland*, October 2009

<sup>iii</sup> Minister for Older People Helen McEntee TD reply to question answered in Dáil Éireann 28<sup>th</sup> June 2016 re Nursing Homes Support Scheme Data

<sup>iv</sup> Source: CSO Consumer Price Index

<sup>v</sup> National Competitiveness Council, *Cost of Doing Business in Ireland 2016* (April 2016)

<sup>vi</sup> National Competitiveness Council, *Cost of Doing Business in Ireland 2016* (April 2016)

<sup>vii</sup> CSO Consumer Prices Monthly Series

<sup>viii</sup> National Competitiveness Council, *Cost of Doing Business in Ireland 2016* (April 2016)

<sup>ix</sup> National Competitiveness Council, *Cost of Doing Business in Ireland 2016* (April 2016)

<sup>x</sup> Annual Private Nursing Homes Survey 2014/2015, BDO / Nursing Homes Ireland, June 2015.