



**AUGUST 2018**

**SUBMISSION TO  
SEANAD PUBLIC  
CONSULTATION  
COMMITTEE**

**SMALL & MEDIUM  
SIZED BUSINESS IN  
IRELAND**

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## Private & Voluntary Nursing Home Care

Nursing Homes Ireland (NHI) is the representative organisation for the private and voluntary nursing home sector. 448 private and voluntary nursing homes provide specialist care in 'homes from home' to over 24,000 people, directly employing 30,000+ staff.

Many nursing homes are the largest employers within their local communities, acting as economic dynamos. The employment provided by them is diverse and wide-ranging. The sector has invested over €2 billion to develop specialist healthcare facilities within our cities, towns, villages and communities.

The majority of private and voluntary nursing homes are small, family-run, owner operated businesses. In excess of 70% of such homes have fewer than 60 beds. They face many of the severe pressures and escalating business costs encountered by small and medium sized operators. These are heightened due to nursing homes being 24/7 businesses.

Private and voluntary nursing homes operate within a unique business environment, under a monopoly purchaser of care – ultimately the State. The NTPF, acting on behalf of the State, is responsible for the setting of fees payable under the Nursing Home Support Scheme, commonly known as Fair Deal. Failure to agree a fee under the Fair Deal effectively leads to the closure of the nursing home.

The threat to the sustainability of providers has been presented by HIQA, the independent regulator of nursing home care. Its recently published (*June 2018*) *Overview of 2017 HIQA regulation of social care and healthcare services* report informed of the closure of five nursing homes during 2017 due to financial concerns. HIQA states within the report: “*There are examples of certain smaller nursing homes – which provide a more homely environment – closing voluntarily due to concerns over the financial viability of running such services.*”

## Key Business Challenges – Private & Voluntary Nursing Homes

For the purposes of this submission and consultation on SME business in Ireland, we have focussed upon three key business challenges that pose severe threats to the sustainability of private and voluntary nursing home providers because of State-sponsored inflation. The State must ensure it is cognisant of the dominant and unique role it fulfils in the funding long-term residential care services in the private and voluntary sector. The reality facing the private and voluntary nursing home sector is that its income is effectively set by the State

through the Nursing Home Support Scheme. The sector has a monopoly purchaser in the shape of the National Treatment Purchase Fund (NTPF), and it sets fees for those residents supported by the Nursing Home Support Scheme (Fair Deal). Private and voluntary providers are tasked by the State with providing care for fees that are a national average 60% below those payable to HSE counterparts. It is critical for the sustainability of the provision of specialist healthcare within our local community and for the sustainment of jobs that the State recognises the reality of costs incurred to provide long-term residential care on a 24/7 basis. A sustainable private and voluntary nursing home sector is essential to:

- Ensure we meet the care needs of people requiring specialist care on a round-the-clock basis,
- Sustain jobs in urban and rural communities and local economies,
- Meet our healthcare needs within the community,
- Alleviate pressures upon our acute hospitals by deterring admissions to acute hospitals and facilitating discharges from such.

The State-influenced challenges presented in this submission are with regard to:

- Labour costs
- Commercial Rates
- Recruitment

### **Labour costs**

The nursing home sector is labour intensive. Staff costs account for on average 62% of private and voluntary nursing home costs. Staff retention is of critical importance for care continuity, with our members in private and voluntary nursing homes competing directly with the HSE for staff within an unequitable business environment.

Increases in public sector pay levels, particularly those within health services, have direct impact upon our sector. Private and voluntary nursing homes are operating within a constrained economic environment. The severe discrimination applied in the distribution of State expenditure for nursing home care under Fair Deal is evident when the HSE annual financial statements inform that one-third of the Fair Deal budget is allocated to providers – HSE nursing homes - that provide care to one-fifth of those supported by the scheme. The remaining two-thirds is allocated to support the care needs of 79% of residents supported by Fair Deal<sup>1</sup>. The State, through the NTPF, fails to acknowledge the reality of costs incurred to provide high-dependency care, with fees payable for residents in private and voluntary nursing homes on average 60% below those payable to HSE counterparts<sup>2</sup>.

This year (2018) the Fair Deal budget ringfenced an additional €12 million for the HSE in funding to meet increased pay levels within HSE nursing homes. No corresponding

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<sup>1</sup> Analysis of number of people supported by the Fair Deal scheme year-end 2017

<sup>2</sup> Analysis of HSE fees payable under the Nursing Home Support Scheme by comparison with private and voluntary fees, February 2018

dedicated funding was ringfenced to meet corresponding pay pressures within private and voluntary nursing homes.

Escalating staffing costs within our sector are presented in the Department of Public Expenditure and Reform staff paper *Nursing Homes Support Scheme Trends and Figures* (October 2017), which states: “And with the general economy approaching full employment, recruitment in the private nursing home sector is becoming more challenging, possibly resulting in higher pay rates.”

The statutory scheme of support for people requiring nursing home care must not operate in a discriminatory manner. It is critical equality is applied. Failure to do so creates inequality in healthcare provision and discriminates against residents in private and voluntary nursing homes. As presented by HIQA, funding failures led to the closure of five private and voluntary nursing home providers in 2017. More will arise if the reality of costs realised by such homes are not realised by the Statutory Scheme – Fair Deal.

### **Commercial Rates**

The private and voluntary nursing home sector is incurring a disproportionate increase in commercial rates increases under the revaluation programme being undertaken.

An NHI survey has informed the average rates bill under the proposed valuation notices represents an average increase of €583 per bed, per annum, a 116% increase in cost per bed. The range of increase by county was 17% to 277%.

Nursing homes are experiencing a disproportionate increase in their cost base because of the extent of the rates being levied against them under the commercial rates revaluation process. Commercial rates are presenting huge extra cost burdens on a sector that is already experiencing a significant tightening of margins.

It is of note that HSE nursing homes are exempt from commercial rates. Furthermore, disability and other services funded by the HSE are exempt. All nursing homes are persons' homes. The discriminatory practice of applying commercial rates to residents in private nursing homes requires redress. Equality must be applied for residents in private and voluntary nursing homes and those responsible for providing care to them.

Residents of Nursing Homes have been required to move to a nursing home to have their care needs met and must not be discriminated against. They have been assessed by the HSE as needing the specialist care provided by nursing homes on a 24/7 basis. The nursing home becomes their home and this must be recognised by the State. As nursing home residents are long-term occupants and the nursing home is their primary residence, they fall under the definition of “occupier” under the Act. Therefore, in the interest of equality and fairness, private and voluntary nursing home residents should be exempt from commercial rates.

### **Recruitment**

With the country approaching near full employment, a severe shortage in the availability of healthcare assistants is presenting for private and voluntary nursing homes and the wider

health and social care service. Before the Oireachtas Health Committee in September 2017<sup>3</sup>, Minister for Health Simon Harris informed of shortage of healthcare assistants presenting challenges for healthcare delivery. He told the Committee: “In certain CHO areas there is a capacity issue regarding the availability of home care staff. That will not be a surprise to anybody. In some parts of the country we do not have that problem while in others there is a very significant challenge in that regard.” Furthermore, before the Oireachtas Health Committee last July 4th, the HSE Chief Officer for Community Health said bed closures were arising in HSE nursing homes due to workforce issues<sup>4</sup>.

NHI and our members continue to engage with employer engagement programmes within the Department of Social Protection in order to maximise opportunities for people to avail of employment in the nursing home sector, developing training programmes to improve the skills and productivity of our workforce. However, the impact of such participation has been negligible.

There are currently circa 16,000 healthcare assistants employed in the private and voluntary nursing home sector in Ireland. An NHI Workforce Survey 2017 informs an additional 4,266 require recruiting within private and voluntary nursing homes this year due to turnover rates and the increasing nursing home population. This is projected to increase by a further 1,000 in 2019, giving a total of 5,214 required additional healthcare assistants.

We are calling for the immediate removal of the role of healthcare assistant from the ineligible categories of employment for permits list. This can fulfil a lead role in alleviating the severe shortage presenting for healthcare assistant employees. Precedent has been set by the Department of Business, Enterprise and Innovation this year with Minister Humphries extending the Employment Permit Regulations to enable the hiring of overseas staff to support the hospitality, agriculture and animation sectors.

Failure to undertake the required action will result in potential closure of nursing home beds with a direct impact on residents requiring nursing home care and on an already stretched acute hospital system.

The pressure on labour costs within our sector is exacerbated by the increased recruitment costs arising because of the scarcity of healthcare staff and the necessity to recruit from abroad.

### **Recommendations – Public policy**

Private and voluntary nursing homes must remain competitive employers. They operate within a unique business environment, under a monopoly purchaser of care that is the State.

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<sup>3</sup> Oireachtas Health Committee, Estimates for Public Services 2017: Vote 38 – Department of Health, 27<sup>th</sup> September 2017

<sup>4</sup> Oireachtas Joint Committee on Health, Hospital Services Discussion, 4<sup>th</sup> July 2018, Bernard Gloster, HSE Chief Officer for Community Health: “The other reason that bed closures could be experienced in community nursing units is not dissimilar to bed closures in acute hospitals, which is the workforce issue. In different parts of the State we are very challenged in terms of recruiting the workforce we need for those facilities.”

The essential role they fulfil in providing vital employment and in meeting healthcare needs within our local communities must be recognised within the State operated funding structure and in its resourcing to support nursing home care. Equality must be applied and the present discriminatory practice in funding allocation must be addressed.

As presented to the Department of Health by DKM Economic Consultants, the “current pricing model [Fair Deal] operates in an ad hoc manner, lacks rationale, consistency and fairness, only applies to the private sector, and in the long run is unsustainable”. It further warns: “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.”

The CSO is projecting the population aged 85+, those most dependent upon nursing home care, will increase by 49% in the next 20 years<sup>5</sup>. The Alzheimer Society of Ireland projects the number of people with dementia will increase by 42% by 2021<sup>6</sup>. The majority of people with dementia (63%) live at home in the community<sup>7</sup>. But a cohort with high dependency care needs require 24 / 7 person-focussed, specialist care provided by nursing homes.

It is critical that private and voluntary nursing homes within our communities are financially sustainable to meet present and growing requirement and are positioned to recruit and retain specialist staff to meet the high dependency care needs of nursing home residents. Our recommendations advance required development within State policy to address the discrimination and advance a fit-for-purpose funding model, address the discrimination re commercial rates and to address workforce planning. We recommend:

- **Persons availing of care under Fair Deal and those providing the care must be treated equally:** The State cannot continue to preside over the discriminatory practice operating in the funding allocation for nursing home care. The gross inequity in the allocation of State funding must be addressed. HSE providers are receiving fees that are 60% above those payable to private and voluntary counterparts. Residents availing of care under Fair Deal must be treated with equality in the funding contribution allocated to them by the HSE.
- **Private nursing home residents must be exempted from payment of commercial rates:** Residents of nursing homes have been assessed by the HSE as needing the specialist care provided by them on a 24/7 basis. The nursing home becomes their home and this must be recognised by the State. As nursing home residents are long-term occupants and the nursing home is their primary residence, they fall under the definition of “occupier” under the Act. In the interest of equality and fairness, private and voluntary nursing home residents should be exempt from commercial rates.

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<sup>5</sup> CSO, *Population and Labour Force Projections 2016 – 2046*

<sup>6</sup> The Society states there are approximately 48,000 people living with dementia in Ireland. This is expected to increase to 68,216 people by 2021 and to 132,000 people by 2041.

<sup>7</sup> Alzheimer Society of Ireland

- **A funding model that recognises the reality of costs incurred to provide nursing home care:** Nursing homes provide specialist clinical, health and social care to persons with high-dependency care needs on a 24/7 basis. State funding must realise the implications of rising business costs such as these presented. The fee payable must be reflective of the reality of costs incurred, including those associated with intensive staffing, continuous professional development, regulatory compliance, capital investment, and costs incurred within 24/7 dedicated healthcare settings.
- **Immediate publication of the review of the Fair Deal pricing mechanism:** This is required to facilitate imperative discussion regarding a fit-for-purpose funding model to meet the high dependency, specialist care needs of persons requiring nursing home care. Fair Deal was introduced in 2009 and a commitment was undertaken to review the scheme after three years. The review of the scheme published in 2015 recommended a review of the pricing system be undertaken within 18 months. This was due to be completed 1st June 2017. It remains outstanding. We are operating under a scheme that has remained unchanged since it was introduced in 2009. Fair Deal fees remain arbitrary decisions based upon historic prices and geographic location.
- **Introduction of an independent appeals process under the Fair Deal scheme:** Failure to agree a fee during the negotiation process with the NTPF, acting on behalf of the State, will effectively lead to the closure of the nursing home. Nursing homes must be afforded the opportunity for right of independent appeal.
- **Removal of the role of healthcare assistants from the Ineligible Categories of Employment for Employment Permits List on a controlled basis:** The measure is required to address the severe shortage of suitably qualified healthcare assistants. The shortage has led to closure of beds within nursing homes and if persists will lead to widespread closure and significant reduction of capacity within the sector. This would lead to a crisis across the entire health and social care sector.
- **The State must lead in the development of a workforce plan for the entire health service – public, private and voluntary, which places the substantial growth in requirement for gerontological care at the centre of it:** The growing number of older people requiring healthcare services will necessitate requirement for workforce planning to ensure our health services are equipped with the appropriate skill mix to meet older persons clinical, health and social care requirements. The State must lead in this regard. Planning ahead and the development of a strategy can support the creation of thousands of additional jobs within our health services and facilitate Government and cross-party objective of providing specialist health services within our local communities.

We welcome the opportunity to submit to this important consultation and are available to provide further detail and present before the Committee.

**ENDS**

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