



**Submission to Department of Employment Affairs
and Social Protection**

**Public Consultation Process for an Automatic Enrolment
(AE) Retirement Savings System for Ireland**

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EMPOWERING MEMBERS

LEADING & PROMOTING THE SECTOR

INFLUENCING POLICY

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 private and voluntary nursing home sector, through its 454 homes:

- Provides long and short-term care in a 'home from home' for almost 25,000 persons
- Accounts for in excess of 80% of all long term care beds in the country
- Provides direct employment to approx. 30,000 persons
- Facilitates indirect employment to a further 15,000 persons
- Contributes over €250m to the exchequer on an annual basis in direct taxation.
- In many cases act as the main employer in a number of towns and villages throughout Ireland, playing a key role in supporting local goods and services providers.

The employment provided by private and voluntary nursing homes is diverse and nursing home operators also make a significant contribution to the state, through the hundreds of millions that is paid, by the sector, on an annual basis in the form of commercial rates, water charges, VAT, licensing and registration fees. The sector has invested over €2 billion to develop high quality, specialist healthcare facilities within our cities, towns, villages and communities.

Private and voluntary nursing homes have an economic footprint across Ireland. Within urban and rural communities in every county, they are essential for job facilitation and supporting the national economy. They are the backbone of local economies. Appendix 1 informs of the number employed by private and voluntary nursing homes within every county, the number of these dedicated healthcare settings within each, and the collective capacity on a county-by-county basis.

Already operating within a constrained economic environment as a result of their income being fixed by the State under the Nursing Home Support Scheme (Fair Deal), nursing home operators face an increasingly difficult landscape and a threat to the sustainability of providers.

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 businesses. These are heightened due to nursing homes being 24/7 businesses.

Furthermore, residents presenting for nursing home care have increasingly high dependency and acute healthcare needs. This is substantially increasing the cost pressures upon such homes.

Considerations

With the State, through the NTPF, enjoying a dominant position as a monopolistic purchaser under the Fair Deal, nursing homes operate within a constrained economic environment, where their income is fixed and set by the State. This has significant implications in terms of nursing home operators' ability to manage and recover cost increases in their business and threatens the sustainability of current provision.

Any cost increases imposed by the State under the proposed pension reforms must be specifically acknowledged and explicitly provided for in the Nursing Home Support Scheme (Fair Deal) budget and subsequently provided by the NTPF in its engagement with individual nursing homes under the Scheme.

Staffing and labour costs are the single largest operating cost component incurred by nursing home operators in the provision of long term care to the older person. This is logical, as the delivery of care is highly labour intensive and person led.

Nursing Homes Ireland has been consistent in recognising and highlighting concerns surrounding the challenges facing employers in the sector. In principle NHI is not opposed to the pension reform proposals, as a benefits package for employees will contribute to the sector being an employer of choice. A pillar of the NHI Strategic Plan 2017-2022 is to ensure that the private and voluntary nursing home sector becomes an employer of choice and an attractive benefits package is one of the ways in which this can be achieved.

NHI acknowledges the requirement to address pension provision in Ireland and that in principle this is a positive development, however this is contingent on the commitment for explicit provision by Government in the Nursing Home Support Scheme (Fair Deal) budget for nursing home providers to be in a position to provide matching pension contributions.

Failure to agree a fee with the NTPF effectively results in the individual nursing home being excluded from the negotiation process and therefore from the Fair Deal scheme itself. Legitimate requests by NHI members for necessary increases in fees for residents supported by the Fair Deal scheme are consistently not being acknowledged by the NTPF, who enjoy a hegemonic position as the purchaser of care under the Fair Deal.

For those nursing homes locked in to Deeds of Agreement (contract) with the NTPF the ability to pass on the increased rates costs during the term of the Agreement is Nil and these increases will impact directly on viability and sustainability.

While other sectors of the economy have the opportunity to pass on cost increases to their customers, given the State's position as a monopolistic purchaser of nursing home beds and the current pricing model, this option is not open to nursing home operators.

In this regard, any further increases in labour costs has severe implications in terms of the long-term sustainability for the private and voluntary nursing home sector.

These concerns have been identified by separate Independent analysis including that carried out by DKM Economic Consultants (*Potential Measures to Encourage Provision of Nursing Home & Community Nursing Unit Facilities* Dec 2015) on behalf of the Department of Health. This research found that the Fair Deal and current pricing model “operates in an ad hoc manner, lacks rationale, consistency and fairness”.

The threat to the sustainability of providers has been presented by HIQA, the independent regulator of nursing home care. Its recently published *Overview of 2017 HIQA regulation of social care and healthcare services* report (published June 2018) informed of the closure of five nursing homes during 2017 due to financial concerns.

The inequality is further presented within the HSE Service Plan 2018. Within the provision of €21.7 million of additional funding for the Fair Deal scheme for present year, €12 million – 55% of the additional allocation – is specifically earmarked for HSE pay levels in public nursing homes. With 4,713 supported by Fair Deal in HSE nursing homes at the end of 2017, this equates to circa an additional €2,546 being allocated per resident within such homes, per annum. Yet the increasing staffing costs for private and voluntary nursing homes year-on-year were not specifically recognised within the budget allocation.

Deficiencies in long-term residential care supply contribute to delays in discharging patients from acute hospital beds and contributes to the unacceptable situation of over-crowding throughout Ireland’s accident and emergency departments. This has serious knock on effects throughout the acute hospital and wider healthcare sector.

For many businesses, the introduction of auto enrolment will be a major administrative undertaking, so there must be support, clear guidance and a realistic lead-in time. Given the potential impact on labour costs, Government must also give a firm commitment to provide administrative funding and that there will be no further cost increasing measures during the roll-out period of any proposed pension reforms.

Nursing Homes Ireland, after initial consultation with the Department, request that specialist actuarial input on the impact of the proposed reforms is undertaken cognisant of the unique position of the private and voluntary nursing home sector under the Statutory provisions of the Nursing Home Support Scheme (Fair Deal).

Conclusion

The private and voluntary nursing home sector has a critical role to play in providing quality care to our older population. The role and importance of the sector is likely to heighten in the future, given the demographic evidence which shows that Ireland's population is ageing with particularly strong growth in the cohorts of the population whose care needs have been independently assessed as requiring long-term residential care.

- Nursing Homes Ireland welcomes the public consultation on the auto enrolment of pensions and acknowledges that in principle this is a positive development contingent on funding to be provided in the Nursing Home Support Scheme (Fair Deal) budget.
- Commitment by Government to undertake specialist actuarial input on the impact of the proposed reforms is required cognisant of the unique position of the private and voluntary nursing home sector under the Statutory provisions of the Nursing Home Support Scheme (Fair Deal).
- With the State, through the NTPF, enjoying a dominant position as a monopolistic purchaser under the Fair Deal, nursing homes operate within a constrained economic environment, where their income is fixed and set by the State. This has significant implications in terms of nursing home operators' ability to manage and recover cost increases in their business and threatens the sustainability of current provision.
- On average, staff costs account for approximately 60% of turnover across the private and voluntary nursing home sector. Evidence would demonstrate that this is rising with increased resident dependency and reduced length of stay. Any requirement for nursing homes to match pension contributions is contingent on increased funding of residents supported under the Nursing Home Support Scheme (Fair Deal)
- With staffing costs running at approximately 60% of expenditure, a 6% contribution (as proposed) by an employer is a 3.6% increase in costs, equivalent to on average a minimum of €30 per resident, per week. This equates to an increase of circa €39m per annum needed in the Nursing Home Support Scheme (Fair Deal) budget to account for the increased costs based on the mandatory pension proposal.
- the increase cost of any proposed pension provision must be recognised as 'costs reasonably and prudently incurred' and explicitly provided under the Nursing Home Support Scheme budget
- increases by the State must be specifically acknowledged and explicitly provided for by NTPF in its engagement with individual nursing homes.

APPENDIX 1, Private & Voluntary Nursing Homes per County – Number of nursing homes, number of beds, number of people directly employed (*June 2018)

