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NURSING HOMES IRELAND
SUBMISSION RE

**HSE response to
PAC re issues
raised by NHI re
public
residential care
costs**

Introduction

NHI welcomes the PAC commitment at its meeting 17th November 2016 to examine HSE nursing home costs, with Committee Chairman Deputy Seán Fleming TD stating: “The cost of nursing home care, the HSE, the private sector and how they interrelate are certainly issues we will want to discuss as part of our work programme. We will certainly come back to that in our work programme for the new year.”

We are of the view the Committee has a critical role to fulfil in ensuring transparency and accountability is applied with regard to HSE spend within its own nursing homes.

Discriminatory practice operates within the nursing home sector in Ireland. The enormous discrepancies in contributions payable to HSE nursing homes on behalf of residents - with these not being subject to negotiation - raises very serious questions regarding Exchequer funding of long-term residential care and spending within our health service. The Nursing Home Support Scheme (Fair Deal) provides for ‘negotiation’ with private and voluntary providers only.

The long-delayed publication by the HSE of cost of care in its nursing homes in October 2016 informed of national average cost being €1,407 per resident, per week. By comparison, the average national cost in a private and voluntary nursing home was €917 per resident, per week. Publication by the HSE of its long-withheld costs (the last updated costs had been published March 2011) revealed a national average 53% fee differential.

Five years ago in November 2011, then Minister for Health James Reilly TD stated before the Joint Oireachtas Committee on Health and Children: “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, and have to examine and address that.”

In 2015, spend for provision of care within public nursing homes amounted to €340.7mⁱ (€328.8m plus €11.8m on fixed unit costs). With 4,915 persons supported by Fair Deal in public nursing homes that year end, this equated to average contribution per resident per annum being circa €69,332.

By comparison, the Fair Deal spend allocated to residents receiving care within private nursing homes amounted to €602.6m. With 16,833 persons supported by Fair Deal in private nursing homes that year end, this equated to average contribution per resident per annum being circa €35,798 per person – a 93% differential.

The price setting mechanism for public nursing home costs is based upon historic running costsⁱⁱ.

NHI notes once again the statement by the HSE Social Care Directorate within the Review of the Fair Deal Scheme, published July 2015, that is striving to reduce “inappropriate” costs across public nursing homes through achieving greater consistency in quality and cost. The recent HSE response to the PAC informs, a year-and-a-half later, of the structural, operational and HR challenges referred to within the Fair Deal review. Furthermore, the Department of Health commissioned DKM Economic Consultants report *Potential Measures*

to Encourage Provision of Nursing Home & Community Nursing Unit Facilities, published December 2015, stated the “significantly more expensive” HSE nursing home costs are “exacerbated by challenges in rationalising existing facilities”.

Do the challenges persist? To what extent are they resulting in imprudent spending within our health services? What plans are in train to address the challenges?

As per our correspondence to Committee Chairman Deputy Séan Fleming TD, 7th November 2016, the published HSE costs highlight a glaring chasm and discriminatory practice within our nursing home sector, with State nursing homes paid in October 2016 average fees that were 53% more than those payable to private and voluntary counterparts.

We reiterate the fees payable to HSE nursing homes are not subject to negotiation. A myriad of costs, including, but not limited to, capital costs, commercial rates and other State charges, are excluded within the fees payable to HSE nursing homes.

Using relevant headings that were within the HSE response, this submission provides an NHI response to the HSE document circulated to the Public Accounts Committee.

Private & Voluntary Providers – Funding Arrangements

The NTPF is designated by the Minister for Health under the Nursing Home Support Scheme Act 2009 to negotiate with private and voluntary nursing homes agreement in relation to the maximum price that will be charged for the provision of long-term residential care services to Nursing Homes Support Scheme residents.

The NTPF states: “The following guidelines are taken into account in negotiating prices; (a) costs reasonably and prudently incurred by the nursing home and evidence of value for money, (b) price(s) previously charged, (c) local market price and (d) budgetary constraints and the obligation of the State to use available resources in the most beneficial, effective and efficient manner to improve, promote and protect the health and welfare of the public.”

The NTPF enjoys an unhealthy dominance within the sector, with transparency regarding how it derives fees payable for provision of care completely absent. As informed of by the NTPF and within the Fair Deal review, fees historically paid and the geographic location of a nursing home are relevant to the fee that is agreed between the NTPF and the nursing home. This highlights the notion that the negotiated fee is based upon cost of care is misrepresentative.

It is stark and extremely concerning that a Nursing Homes Ireland survey of 196 private and voluntary nursing homes, undertaken September 2016, informed 96% of nursing homes are of the view the current funding structure does not enable them to adequately support residents with high dependency / complex care needs.

The absence of an appeals process that is independent of the NTPF for providers that are dissatisfied with the fee offered highlights a striking lack of transparency and accountability within the fee negotiation process. Of the 196 nursing homes surveyed, only 5% stated confidence in the current NTPF review process for appeals. The un-comprehensible implication for a provider that fails to agree a fee with the NTPF is exclusion from the Fair Deal scheme and by likely consequence closure. Given the increase in our older population and increased emphasis upon meeting our healthcare needs within the community, a funding model that recognises the true costs of providing 24/7 specialist care within nursing homes is imperative to ensure sustainability of existing private and voluntary nursing home beds and jobs within the sector.

NHI has long advocated the imperative requirement for introduction of an independent appeals mechanism to apply transparency to the negotiation process. This necessity is one of the terms of reference within the review of the Nursing Home Support Scheme pricing mechanism that is presently being undertaken: “Particular consideration should be given to the appeals mechanism, as the nursing home sector has strongly argued that the current system is inadequate and can be improved.”

The aforementioned DKM analysis states, regarding Fair Deal, “While the scheme has delivered many benefits and is a significant advance on what was in place heretofore, its current pricing model operates in an ad hoc manner, lacks rationale, consistency and fairness, only applies to the private sector, and in the long run is unsustainable”.

The analysis highlighted the discrepancies in fees payable for provision care within the private and voluntary nursing home sector. “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,” it states.

Independent research undertaken by the Dementia Services Information and Development Centre, published February 2015, assessed the provision of specialist dementia care within Irish nursing homes. Its research, *An Irish National Survey of Dementia in Long Term Residential Care*, analysed the funding model and role it fulfils in enabling provision of specialist dementia care. The report states: “Our findings would lead us to believe that the complex high dependency needs of PwD [Persons with Dementia] in specialist care units now need to be more realistically reflected in better resource allocation to such facilities. In particular, payments made through the NTPF need to be commensurate with level of care, staff training and skill mix and type of non-pharmacological interventions to be delivered. More funding needs to be allocated to private nursing homes in recognition of the specialist services needed to support PwD including those with behaviours that challenge.”

Public Residential Provision & Cost of Care

By stark contrast, the fees payable to HSE nursing homes are not subject to negotiation. The HSE pays its own nursing homes out of the NHSS (Fair Deal) budget which is administered by the HSE.

The HSE response to the PAC states: “A weekly price for the cost of care in public homes is calculated based on the actual costs of operating the public community hospitals / community nursing units as opposed to a rate negotiated with the National Treatment Purchase Fund as HSE centres are not for profit services and are funded in line with their costs of operation.”

This poses a number of questions:

- What are the “actual costs” of operating the public community hospitals / community nursing units? Are these costs disclosed?
- How are costs calculated?
- How often are the costs calculated?
- To what extent are the structural, operational and HR challenges previously referred to within this submission impacting upon costs?
- Do the costs vary / fluctuate regularly?
- Why are the calculated costs not published on an ongoing basis?
- Why are the same standards that are applied to private and voluntary nursing homes with the publication of their cost of care on an ongoing basis not applied to HSE nursing homes?
- Why is the transparency applicable to private and voluntary nursing homes not applied to HSE counterparts?

The HSE response further states: “The range in the cost of running these beds on 1st January 2016 is from €884 to €2,089.” This is incorrect. The October 2016 published costs also informed of the weekly cost of care being €2,584 in St Bridget Hospital Shane and €4,082 in Abbeyleix District Hospital. These 2 costs are omitted from the HSE response to Public Accounts Committee.

The HSE states they are omitted because the cost for these facilities is “temporarily distorted”.

The omission of the costs is unacceptable. The costs incurred to provide care within these centres are within the “range of running costs” referred to by the HSE and cannot be overlooked. The HSE referred to the costs being “temporarily distorted”. For how long have they been temporarily distorted? It should be noted the *Elderly Care Services HSE Midlands Information Document* published four years previously, in 2012, informed of average weekly cost of care in Shaen being €2,472, indicating there has been little distortion in the intervening four-year period.

Publication of Cost of Care

The response provided by the HSE informs the publication by it of the cost of care within its nursing homes was “in the interest of transparency”. Over a five and-a-half year period, March 2011 to October 2016, the “transparency” was not applied. In April 2013, in response to a question tabled in Dáil Éireann, then Minister for Older People Kathleen Lynch TD stated “revised public nursing home cost of care figures will be published shortly”.

Two years later in February 2015, Minister Lynch informed Dáil Éireann “the HSE is undergoing a process of the review of all costs associated with both long stay and short care services across the public system”. She added: “The work is ongoing and leading to actions that are embedded in terms of good practice and value for money”. Has the work concluded and have the actions been implemented? The indication from the HSE response is this is not the case. Minister Lynch also stated the HSE intended to publish its revised costs “later in the year”.

It is incumbent upon the HSE in the interest of transparency that it referred to within its response to publish its costs of care on an ongoing basis. The persons availing of care within HSE nursing homes and the wider public should be aware of the weekly costs within each centre. Older persons that choose public nursing home care must be aware and appraised of the cost of care to ensure that they are in a position to make an informed choice.

The HSE response further states: “Over the past number of years the cost of care for public nursing homes under the scheme as published on the HSE website was not updated as the HSE was undergoing a process to review all costs associated with both long stay and short stay care services provided in public facilities. This was acknowledged in the ‘Review of the Nursing Homes Support Scheme, A Fair Deal 2015’ which stated as follows:

“The HSE Social Care Directorate is trying to achieve greater consistency in quality and cost and to reduce inappropriate costs across its facilities, but in doing this it faces structural, operational and HR challenges. Significant progress has been made since the scheme was introduced to ensure that only those costs proper to the NHSS are funded from the NHSS budget.”

This process again poses a number of serious questions surrounding transparency and accountability:

- Has the review – undertaken over “the past number of years” – been concluded?
- What has become of the review?
- Will it be published?
- In reviewing costs, what has the review established?
- Has it identified substantial and / or inappropriate costs that are being incurred and require addressing?
- Has it identified measures that require undertaking to reduce costs?

- What ‘improper’ costs to the Fair Deal budget were funded from it?
- What was the amount removed from the Fair Deal budget to absorb the ‘improper’ costs?
- What challenges remain in reducing inappropriate costs across HSE nursing home units?
- Are these challenges being addressed?

Service Provision Model – Significance of public residential care

The private and voluntary nursing home sector has stepped up to the mark in assuming the lead in the provision of nursing home care across the country and in provision of specialist dementia care (*see Higher Dependency Residents heading*). Over 430 private and voluntary nursing homes are providing care across Ireland to 23,000+ persons. These nursing homes are located within communities across the country, including isolated rural communities.

Furthermore, private and voluntary nursing homes provide short-term, convalescence, transitional, respite, and rehabilitative care services.

During 2016, 7,342 patients were discharged back into their communities from HSE acute hospitals to private nursing homes under the Department of Health / HSE Transitional Care Initiative.

The potential exists within such nursing homes to utilise their services to provide such services to support wider healthcare delivery.

Variations in Public & Private cost base

The Review of the Nursing Home Support Scheme informed fees payable to private nursing homes over the period it analysed, 2010 to 2013, had risen by 1.71% which had “been lower than the increase in the CPI over the same period (3.79%)”. It added: “The prices in public homes have increased since 2011. We calculate that the average price has increased by 3.1% in that period.”

Why was the increase payable to public nursing homes almost double that payable to the private and voluntary counterparts already being paid half that payable to the HSE homes?

Higher Dependent Residents

The HSE response states: “Public Community Hospital / Community Nursing Units, in general, operate a no refusal policy for residential care placements unless specific, high level, one-to-one care is required and traditionally admit residents with higher care needs that are often refused by private nursing homes. The acute hospital system relies strongly on this process in order to place some of their more complex discharges to long stay care and this integrated approach across community hospitals and the acute service is essential in enabling effective acute care provision and reduction in delayed discharges in our acute system.”

The independent research undertaken by the Dementia Services Information and Development Centre assessed the provision of specialist dementia care within Irish nursing homes. *An Irish National Survey of Dementia in Long Term Residential Care* surveyed 469 public, private and voluntary nursing homes. One fifth of those surveyed were HSE operated, two-thirds were private operated, and about 13% were voluntary or not for profit. The research states: “HSE operated facilities which receive the highest payments for care from the Nursing Home Support Scheme (Fair Deal) because they are said to accommodate those with highest dependency needs were more restrictive than other providers in relation to admission criteria and were more inclined to refuse admission to those not independently mobile.” It added: “Of particular concern is the finding that over two thirds of HSE respondents (69%) stipulated an admission criterion of ‘being independently mobile’.”

This independent research debunks HSE pronouncements that it is the lead provider of high or maximum dependency care.

It should also be noted 7,380 discharges from acute hospitals to private nursing homes were facilitated in 2015 – an average 615 per month. 4,470 were for the provision of transitional care and a further 2,910 were admitted under the Fair Deal scheme. The 2015 figures are the latest full set of figures available to NHI.

The number of transitional care discharges increased to 7,342 in the year 2016, a 64% increase year-on-year that reflects increasing importance of private nursing homes in facilitating discharges from our acute hospitals.

In the context of dependency, it is also important to note the following extracts from the aforementioned DKM report, which principally assessed the funding model to support provision of nursing home care within private nursing homes. It states: “There is no standard objective assessment basis for setting the price, related to either efficient capital and operating costs or the level of dependency of residents; while the NTPF does use some benchmarks, in the final analysis the rate for each nursing home is a matter for ad hoc negotiation. The most important factor appears to be the “going rate” in the particular county.”

Furthermore, it is of considerable alarm that the report states: “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.”

Reductions in Long Stay Public Bed Numbers

The HSE response refers to difficulties it is encountering in reducing “fixed costs” within its nursing homes.

Fees payable to the HSE do not encompass a number of important costs including, but not limited to, capital costs, financing costs, commercial rates, so are not reflective of full costs incurred by the taxpayer. Private and voluntary nursing homes must utilise the significantly reduced fees payable to them to cover such costs.

Environmental Implication on Staffing Levels

The HSE response states “substantial capital funding” has been committed to improve HSE nursing homes in line with HIQA standards. The €385m investment to encompass capital works in 90 nursing homes amounts to an average investment of €4.27m per nursing home.

Substantial capital costs are earmarked for a number of nursing homes, with works €15m+ encompassing:

- Killarney Community Hospital - €23.7m
- St Joseph’s Hospital and Dungarvan District Hospital - €20.75m
- St Patrick’s Hospital - €19.8m
- St Columba’s Hospital - €18.9m
- Connolly Memorial - €18m
- Tymon North - €17.55m
- Ballyshannon - €17.4m
- St Finbarr’s - €16.5m

The average capital cost per bed is up to €198,000 based on the figures.

It must be asked will such significant State spend present best use of best use of public funds.

Reliance on Agency Staffing

The shortage of nurses or healthcare assistants is not confined to the HSE. The shortfall in candidates available to fill such posts has been exacerbated by the lifting of the HSE recruitment moratorium, with the fees payable to private and voluntary nursing homes rendering them incapable in many instances of competing with HSE packages. Private and voluntary nursing homes are dependent upon fees payable by the State, through the NTPF, for provision of care. The HSE is using public funds to 'poach' trained and skilled staff from the private and voluntary sector. This represents unfair practice and is evident of the State utilising public funds to the detriment of other vital healthcare providers.

Recruitment costs of circa €10,000 per nurse are being incurred by private and voluntary nursing homes. These entail identifying a nursing candidate from abroad, meeting their transport and accommodation costs, and meeting the associated adaptation, training and regulatory costs.

Geographical provision of residential placements

We refer to our previous statements within this submission, under the *Service Provision Model – Significance of public residential care* heading. NHI acknowledges HSE community hospitals / nursing units support the geographical spread of long-term residential care and other associated, community health services. It should be noted the private and voluntary nursing home sector has assumed the lead in the provision of nursing home care across the country and is meeting our population's requirements in this regard. Over 430 private and voluntary nursing homes are providing care across Ireland to 23,000+ persons. These nursing homes also operate within isolated rural communities.

NHI also take this opportunity to highlight inequality applied to residents in private and voluntary nursing homes with regard to accessing primary care team services, essential to maintain the health and wellbeing of older persons. An internal HSE Quality & Patient Safety Audit Report concluded in January 2013 highlighted just one-third (34%) of private and voluntary nursing homes that participated in the audit had access to primary care team services. Half (52%) of HSE nursing homes had access.

All residents within nursing homes, public, private and voluntary, must be provided with access to the essential services provided by primary care teams. These must be provided on a per-need basis, not based upon the particular nursing home the resident is living within.

Conclusion

NHI acknowledges HSE nursing homes fulfil an important role in meeting long-term residential care needs of our older population. However, given the extensive gulf in the fees payable to HSE nursing homes as opposed to private and voluntary counterparts, the huge capital expenditure outlay, and the non-transparency surrounding costs for care, it is of critical importance the PAC asks questions regarding State spend and value for taxpayers in this regard.

Given the challenges of meeting the residential care requirement of our ageing population, the current funding of private and voluntary nursing homes under the Fair Deal is a threat to the sustainability of current provision. There remains an urgent and imperative requirement for Nursing Home Support Scheme fees to reflect real cost of provision of nursing home care.

ENDS

ⁱ HSE Annual Report and Financial Statements 2015

ⁱⁱ Department of Health published Review of the Nursing Home Support Scheme (July 2015)