



**NHI Submission to Low Pay Commission
The National Minimum Wage**

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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 private and voluntary nursing home sector, through its 437 homes:

- Is providing care and a 'home from home' for 22,000+ persons
- Accounts for 80% of all long-term care beds in the country
- Provides direct employment to 24,000+ persons
- Facilitates direct and indirect employment to approx. 44,000 persons
- Is a very significant employer, with these dedicated health and social care settings acting as economic dynamos within urban and rural communities. 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 that includes nurses, carers, caterers, admin staff, and ancillary workers. The 437 private and voluntary nursing homes also play a lead role engaging 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.

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

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.

The unique funding structure for private & voluntary nursing homes

The private and voluntary nursing home sector is unique in that its income is effectively set by the State through the Nursing Home Support Scheme (Fair Deal), a statutory scheme of financial support for those requiring nursing home care.

In that regard 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 in respect of long term residential care in nursing homes. Failure to agree a fee with the NTPF effectively results in the exclusion of the nursing home from the Fair Deal scheme. Legitimate requests by members for necessary increases in fees for residents supported by the Fair Deal are consistently not being acknowledged by the NTPF, a body that enjoys a dominant position in Fair Deal negotiations.

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 requirementsⁱ. 46% are ‘older old’ persons - above the age of 85.ⁱⁱ The Department of Health’s Review of the 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.

Independent analysis commissioned by the Department of Health has starkly outlined the payment model’s failings. DKM Economic Consultants reported to the Department in its report *Potential Measures to Encourage Provision of Nursing Home & Community Nursing Facilities*, published December 2015, the following:

- “The Nursing Home sector in Ireland is a very substantial sector of the economy. Through the Fair Deal Scheme the State procures several hundred million Euros worth of services annually from private nursing homes. 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 lack of reference to efficient cost levels and return on efficient capital in the Fair Deal negotiations represents a disconnect from the reality that the State expects the private sector to potentially provide 80% of nursing home capacity going forward. It is unsustainable in terms both of rational market operation and enabling new investment in areas of the country where payment rates are lower.”
- “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.”

The findings within the independent analysis outline private and voluntary nursing home providers are ‘swimming against a very strong tide’ against the cost pressures, financial backdrop and failure of NTPF to reflect the true cost of care.

Indeed the Department’s review of the Fair Deal scheme, published July 2015 and undertaken by Deloitte, confirmed fees paid to nursing homes under the Fair Deal scheme are not keeping pace with inflation. It stated “in the period 2010 to 2013...the increase in prices negotiated (1.71%) has been lower than the increase in the CPI over the same period (3.79%)”.

Furthermore, it highlighted the NTPF’s use of “inherited historic prices with in-built price discrepancies as an initial baseline for agreements with proprietor of nursing homes” and “the fact that facilities receive the same price regardless of the dependency level of the resident”. It also highlighted the fees payable to private nursing homes are average 58% below those paid to private counterparts.

The review recommended further review of the pricing system, which is now being undertaken, with “increasing the transparency of the pricing mechanism” being a core objective.

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”.

The evidence clearly outlines the funding model to support nursing home care operates in an ad hoc manner, lacks rationale, consistency and fairness, and transparency. These ‘frank’ assessments raise serious concerns regarding the ability of the purchaser of care – the NTPF – to recognise the legitimacy of increases in the national minimum wage and associated costs for nursing homes. It is also important to realise, some nursing homes are in the early cycle of a pricing agreement with the NTPF, and the agreement may not have encompassed increases in salaries associated with any further proposed increase in minimum wage.

Conclusion

It is important to note NHI and our Members are not opposed in principle to an increase in the National Minimum Wage.

However, the very serious issues raised by the DKM analysis, coupled with the constrained, economic environment within which private and voluntary nursing homes operate within - dominated by a monopoly purchaser - cannot be overlooked by the Low Pay Commission.

Our sector is highly labour intensive, with 61% of outgoing costs being Labour costs. While other sectors will be able to pass on additional wage costs to their customers, this will not be applicable for private and voluntary nursing homes. The consequence of increase in the National Minimum Wage is one arm of the State imposing significant increased costs upon nursing homes and there is imperative requirement for this increase to be recognised by another arm of the State (the NTPF/HSE) under the Fair Deal scheme.

It also worth noting the ‘ripple effect’ of pay increases on salaries that are above the national minimum wage. This is the domino impact that would cause the greatest impact on our sector. This issue comes on the back of other increases to employment costs that have been driven by Government. Furthermore, members have confirmed to us that should the ‘base’ of the national minimum wage be raised, then this will result in upward pressure on all role levels of base pay.

As the independent research has outlined, the NTPF has previously taken an arbitrary approach towards deciphering fees payable for provision of nursing home care. In the interest of fairness and to support care delivery of persons requiring nursing home care and persons employed within these dedicated healthcare settings, it is imperative fees payable to nursing homes reflect increase in National Minimum Wage with immediacy.

Any proposed increase without a corresponding increase in NHSS Fair Deal fees is a further threat to the sustainability of current nursing home provision at a time of increased demand to meet the care requirements of Ireland’s ageing population.

Given the current fees paid for nursing home care are not recognising the true costs – as stated within the independent analyses – nursing homes are not in a position to increase pay and the ripple effect of rise in salaries arising because of any increase in the national minimum wage. Any proposed increase in the national minimum wage and its impact on the nursing home sector must be costed and provided for by Government in the Fair Deal budget. A failure in this regard will signal non-recognition of increase in salaries that are being advanced by the Department of Jobs, Enterprise and Innovation.

NHI is of the view it is imperative the Low Pay Commission recognises the unique position the private and voluntary nursing home sector is placed within. In this regard, the Commission 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.

ENDS

ⁱ Nursing Homes Ireland Annual Private Nursing Home Survey 2014/2015

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