HEALTH’S AGEING CRISIS: TIME FOR ACTION
A Future Strategy for Ireland’s Long-Term Residential Care Sector

Prepared by BDO
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The provision of residential care for our ageing population is rapidly heading for crisis; however this is a situation that can, with the appropriate action, be avoided.

In light of the serious challenges presented by an ageing population, Nursing Homes Ireland (NHI) engaged BDO to undertake an independent, fact-based review of the Irish Nursing Home Sector.

The objective of the study is to help inform current and future national strategy for aged care provision and to provide guidance as to what may represent appropriate future policy responses and directions, specifically with regards to the future role of Ireland’s nursing home sector.

The report aims to identify the measures which must be taken to insure the sustainability of the sector now and into the future.

The analysis was based on publicly available data and literature and included primary research, which took the form of extensive engagement with key stakeholders throughout the nursing home sector, older persons care and wider health sector.

The report identifies very startling evidence of significant demographic and population change which is currently taking place, and which Ireland is ill prepared for.

**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.**

In Ireland, the population of those aged 65 years and older has been increasing at a faster rate than that of our EU neighbours. As a result, Ireland is now exhibiting similar demographic trends to those prevalent in other European countries.

- As a standard and accepted international sector benchmark, healthcare planners plan on the basis that 4.5% of the population aged 65+ will have a requirement for long-term residential care. This cohort alone, in Ireland, is due to increase by 38% by 2021. However, a new and emerging trend in Ireland’s demographic profile is the substantial increase that is taking place in our population over 85 years. This group is forecast to increase by 46% in the same period.

- The levels of frailty and complexity of the medical needs for those of that age increases, prompting a greater and often essential need for residential care. The current figures for Ireland indicate that approximately 22% of our over 85’s require long-term care.

- The evidence is clear. The need for nursing home care increases within the older age cohorts. Current research also demonstrates that the demand for long-term residential care doubles for those aged 85+ when compared to those in the 80-84 age group.

- While recognising the financial and budgetary constraints and policy objectives set by the Department of Health and HSE, the demographic evidence cannot be ignored. The demand for long-term care, for those who need it most, is dramatically increasing in Ireland. This will inevitably place greater demands on Irish nursing homes and increased pressure across the wider healthcare sector.

- Compounding matters, the Government’s short term approach of diverting essential nursing home funding, due to current financial considerations, will if continued to be implemented, be at the expense of a much higher social and economic cost in future years.

**Bed capacity within the nursing home sector is no longer keeping pace with increasing demand for long-term residential care**

While significant growth will continue to take place in the demand for long-term residential care, the rate of new nursing home beds coming into the market has slowed significantly in recent years.

Ireland has, relative to many of our European counterparts, one of the lowest numbers of long-term beds per 1,000 of the population. But economic and funding constraints have in recent years been compounding this deficit.

- Between 2009 and 2012, approximately 339 new nursing home beds per annum entered the Irish market. This compares to annual increases of approximately 1,000 per annum in the years prior to this.

- In addition, nursing home capacity provided by the voluntary and public sector is in decline and will, in the absence of significant capital investment, contract significantly. Without this essential capital investment, the HSE estimate that up to 90% of existing long-stay public beds will not meet HIQA standards for Physical Environment.

- The HSE has a stated policy objective of providing 20% of all long-stay beds in the sector. According to its own estimates it will require Exchequer funding of approximately €850m to ensure the delivery of this policy.

- The implications are clear, while the demand curve moves rapidly upwards the gap to the supply curve is widening with the inevitable consequence that people in need of residential care (due to their dependency and who can no longer be cared for at home) will be forced to remain in or seek care within an acute hospital setting.

- This in turn will adversely impact on the ability of our entire population to access acute hospital care, as an increasing number of beds within the acute sector will be occupied by a significant number of people who could more appropriately be cared for in long-term residential care.

- This chain reaction in our health care provision cannot be ignored, and its significant economic costs alone will place substantial additional knock-on pressure on already extremely stretched resources.

**Demand for nursing home beds is now exceeding supply in parts of the country. The gap between supply and demand is rapidly widening**

The demographic evidence is compelling and points to significant increases in the need for nursing home care now and into the future.

- Analysis conducted as part of this study, demonstrates that there will be a shortfall in the number of nursing home beds of approximately 8,000 beds, the equivalent of approximately 80 new nursing homes by 2021.

- Gaps in the provision of long term residential beds, particularly in key urban centres, have already been identified within the HSE’s 2013 Service Plan.

- Unless the Government / Health Service Executive (HSE) engage
constructively with the sector and the people who can deliver more capacity, and take a strategic approach with regards to the issues of funding and future planning, the required bed numbers will not be there to meet future demand.

- The urgency of this situation cannot be understated. The typical development timeline from new project concept to opening is three years minimum so as each month passes the challenges facing the sector increase.

- The level of private sector investment now required to provide the number of new nursing home beds urgently sought by our ageing population will not happen unless greater clarity is provided in relation to the long term funding and financing of nursing home care. The State as a monopolistic buyer of services in the sector has a fundamental role in establishing clear and sustainable policies which can provide greater certainty for funders and operators alike.

The vital role played by Ireland’s nursing home sector

The nursing home sector provides long term residential care for over 27,000 people (public, private and voluntary beds).

It is estimated by NHI, that approximately 22,000 people are directly employed by the private and voluntary nursing home sector, contributing over €170m annually to the Exchequer through direct taxation paid.

Nursing homes provide a more appropriate and affordable alternative for individuals whose specialist care needs would otherwise have to be met in acute hospital settings. Significantly the costs of providing this care in an acute hospital are a multiple of between five and eight times the cost of providing this care in nursing homes. Unlike other elements of older care provision, nursing homes operate within what is a highly regulated environment. People now entering nursing homes do so safe in the knowledge of being assured of high levels of care and safety, irrespective of the provider.

- The numbers requiring nursing home care are increasingly driven by need. This trend is re-enforced by the Fair Deal Scheme, which ensures that it is only those members of society who have been independently assessed as having a requirement for residential care, who are now entering nursing homes.

- Unlike other elements of older care provision, nursing homes operate within what is a highly regulated environment. People now entering nursing homes do so safe in the knowledge of being assured of high levels of care and safety, irrespective of the provider.

- The net weekly cost to the Exchequer of private nursing home care is averaged at c.€750 (excluding the resident’s contribution) per resident versus a weekly cost of c.€6,000+ in the acute hospital sector. This means that for every 1,000 of the population who cannot access nursing home care and therefore remain in acute care, the State is incurring a cost of €6m per annum. The comparable cost of accommodating the very same population in appropriate private nursing home care is €750,000. The cost savings and benefits to the Exchequer, on an annualised basis, are enormous.

- In addition, private and voluntary nursing home operators are required to deliver their services at rate which is significantly below the comparative rate in public nursing homes. In terms of value for money for the State, the question needs to be asked as to why is it costing the Exchequer between 58% and 103% more on average to procure public nursing home beds?

- At an operational level, the direct cost of the Fair Deal is currently estimated to be in the region of €974m. Based on our estimates and future population projections, we have estimated that the annual cost of funding the Fair Deal will exceed €1.2bn by 2021, €1.57bn by 2031 and €2bn by 2041. This is based on current values and before inflation.

- Diverting money from the Fair Deal to support home care packages (a sector that remains unregulated) and other community facilities, will only further increase the delays in securing long-term residential care for those who need it most.

Significant capital investment in the nursing home sector is now urgently required

Due to the age and condition of a large number of public nursing homes and a lack of significant capital investment, the report on the future viability of public long-stay residential units, clearly demonstrates the substantial financial investment that is now urgently required to bring these units up to full compliance with the HIQA “Physical Environment Standards-25B”. The HSE presentation on the viability report states that the viability of public long-stay units is reliant on a number of developments including the Government making a policy decision on the role of the public sector in residential care and on giving a commitment to maintain such services.

- The HSE estimates that it will require investment of €834m to get the current stock of public beds compliant with HIQA Standard 25 B “physical environment”. In addition, as mentioned earlier, further investment of €850m will be required if the State is to realise its objective of providing 20% of the overall nursing home provision.

- Capital investment is not just an issue for the public sector. The Annual Private Nursing Home Survey 2009/2010 highlighted the “onerous costs”, “capital costs” and “major structural redesign” that private and voluntary nursing home operators will face in complying and meeting HIQA requirements. This expenditure is on-going, but does not contribute to increasing the number of beds in the system and may in fact lead to reductions in bed numbers.

- It is unlikely, given the current state of Exchequer finances, that the Government will be able to meet the capital funding requirements set out above. At a time of straitened financial circumstances and given the estimates above, the question that must also be asked is, is this an appropriate use of scarce public resources?

- From a capital and operational funding perspective, encouraging and supporting the private and voluntary sector to develop the nursing home beds now required to meet current and future older person care needs, represents a more effective use of limited Exchequer resources.

- However uncertainty around future funding arrangements and the sustainability of the Fair Deal continue to temper investor sentiment and act as barriers to investing in the sector.

- Government and its agencies must engage constructively with the sector to address these issues and to ensure that the required bed numbers are available to meet future demand.
Policy for the Irish nursing home sector

The lack of a clear and cohesive policy and national strategy for the long-term care of our older population, combined with current uncertainty around future funding arrangements, poses one of the biggest challenges to the long-term sustainability of the nursing home sector.

In light of current dramatic demographic trends, a strategy must be developed which sets out how future demand for nursing home care in Ireland is to be met and where and how Ireland’s elderly population will be cared for.

- A clearly defined role, for the nursing home sector, in the context of a new and emerging continuum of care model must form a key element of future Health Care Strategy.

- Those charged with formulating and implementing healthcare policy must engage with the private and voluntary nursing home sector to address or remove the barriers currently associated with funding nursing home projects.

A sustainable and viable nursing home sector requires changes to current funding and financing arrangements

The current and future arrangements for the funding and financing of nursing home care must take account of the more acute needs of our ageing population and the actual costs incurred by nursing homes in providing patient centered care to all their residents. For example nursing homes that also care for dementia residents require a variable payment plan to match the needs of those residents.

- 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 the majority of cases, operators must accept the rate proposed by the NTPF, with little or no room for real negotiation on the rate.

- In determining the price with nursing home operators, the NTPF does not use formal costing models which reflect the nature of the service provided and the acuity of the resident’s care requirements. Critically, the cost of capital and return on investment are not considered by the NTPF in their negotiation of the rate with nursing home operators.

- As a result of this uncertainty, many nursing home operators do not have the financial capacity or indeed business case to provide the additional nursing home beds now urgently required in the market.

Inaction is not a policy or solution; the time for action is now

Public health policy objectives are to support older people living in their own home for as long as possible. However, as evidenced by the Wren/CARDI report, there will always be a cohort of the population whose care needs can and should only be met in a long-term residential care setting. As demonstrated above, this cohort of the population is rapidly growing in size.

Efforts to redirect vital Exchequer funding away from essential nursing home care, for short-term financial gain, will be at the expense of much higher social and economic costs now and into the future.

As highlighted, deficiencies in long-term residential care supply contribute to delays in discharging patients from acute hospital beds, and contributing to the situation of over-crowding which is prevalent throughout Ireland’s accident and emergency departments. This has serious knock on effects throughout the acute hospital and wider healthcare sector.

A sustainable and viable nursing home sector has a key role to play in addressing the challenges of meeting the residential care requirements of an ageing population, but in order to effectively address these challenges the following action is now urgently required.

- Government and its agencies must come together to map out a clear and cohesive national strategy for the residential care requirements of our older population. The private and voluntary nursing home sector has a key role to play in this strategy and offers a real solution to the challenges of meeting the residential care requirements of an ageing population. Nursing home operators must be afforded the opportunity to help shape this strategy.

- The price negotiated between the NTPF and individual nursing home operators must take account of the cost of capital and the ability of operators to generate an appropriate return on their investment.

- The availability of bank funding is critical to the development of future nursing home capacity. Uncertainty on future Fair Deal Rates has been identified by the banks as one of the impediments to lending to the nursing home sector. A mechanism should be developed which allows the NTPF to commit and agree a Fair Deal Rate with nursing home operators who are planning to add new supply to the market.

- Operators who are dissatisfied with the rate proposed by the NTPF should be afforded the opportunity for right of appeal to an independent third party.

- The nursing home sector has, in the past, benefited from a directly targeted tax based incentive scheme to encourage new development. Careful consideration must now be given to identifying how the State can support or encourage new investment in nursing homes in areas where there is clear evidence of strong demand for long-term residential care. Measures to be considered could include, among others, changes to the treatment of VAT on the development of new beds and the extension of the Employment and Investment Incentive Scheme (EIIS) to the nursing home sector.

- The role of HIQA in tandem with nursing home operators, in raising the standards and level of care afforded to residents is widely acknowledged and welcomed. In the long-run the adoption and implementation of Standard 25 B “physical environment” will result in further improvements in the overall experience for nursing home residents. However, it is clear that many nursing homes, particularly those in the public sector will struggle to comply with the requirements of Standard 25 B before the 2015 deadline. The potential loss of capacity from the sector as a result of failure to comply with this standard will have a hugely negative impact on supply at a time of increasing demand. An extension to the current deadline is advised.

The time for action is now. These recommendations, set out above, can and must be implemented as a matter of priority.

NHI has been consistent in its calls to bring all stakeholders together in a forum to map out the future of nursing home care and implement an appropriate framework to meet the significant growing requirement for it. These calls can no longer be ignored.
1. Introduction, Methodology & Approach

1.1 Introduction

The size and make-up of the Irish population has changed significantly over the last two decades with these trends set to continue. One of the most notable features of Ireland’s changing demographics is the pace at which our population is ageing, particularly the rate of growth in the older age cohorts, particularly those in the 85+ age groups. As a result, Ireland is now catching up with other European countries in terms of population ageing, and the percentage of our population in the older age cohorts.

The consequence of these changes in Ireland’s demographic profile is evident in increasing demand for long-term residential care and associated supports for older persons. While capacity in the nursing home sector, particularly in the private sector, grew rapidly in the period 2003-2009, recent years have been characterised by a significant slowdown in the development of new nursing home beds, and there is now strong evidence to demonstrate that the demand for long-term residential care is exceeding capacity in many locations throughout Ireland.

How future demand for nursing home care in Ireland is to be met poses serious questions for all healthcare planners.

These changes in Ireland’s demographic profile are taking place within the context of significant policy and structural reform of Ireland’s health service. Future Health, Strategic Framework for Reform of the Health Service 2012-2015 sets out the Government’s Health reform programme which promises the most fundamental reform of Ireland’s health service in the history of the state. With regard to care for our older population, current policy is aimed at providing support to older people to remain living in their own home for as long as possible, and where this is not possible, in an alternative appropriate quality residential care setting.

International healthcare planners plan on the basis that 4.5% of the population aged 65+ will have a requirement for long-term residential care. As outlined in Table 1 in section 1 of this report, this is based on the actual percentage of the over 65 population in residential care in other European countries. In Ireland, it is estimated that between 4.3-4.6% of our population aged 65+ is currently in long-term residential care. Furthermore, the demand for residential care increases significantly in the older age cohorts, with research demonstrating that approximately 17% of those aged between 85-89 and 28.9% of those aged 90+ require long-term residential care. Over the next seven years, CSO forecasts point to Ireland’s population aged 65+ increasing by approximately 200,000 people or approximately 38%.

Of particular relevance to the long-term residential care sector, those in the 80-84 age group are forecast to grow by approximately 20,300 people or 29%, while the numbers of people aged 85+ will increase by 26,800 or 46%. This will increase the levels of frailty and the complexity of those who now and will in the future require long stay residential care.

Based on these forecasts, BDO have estimated that the over 85+ segment of the population alone will generate demand for approximately 18,947 long-term residential beds or approximately 70% of current capacity in the sector.

In short, the demand for nursing home care from those segments of the population whose care needs can only be met in a long-term residential care setting is forecast to increase substantially in the short to medium term. Consideration of where and how Ireland’s elderly population is to be cared for must now be addressed as a matter of priority by Government and policy makers.

The case for additional nursing home capacity is, from a market analysis perspective, compelling, yet there have been very limited increases in new capacity since 2009. Uncertainty regarding long-term funding arrangements (Nursing Home Support Scheme/ Fair Deal), and a challenging lending environment have been cited as two of the key factors adversely impacting on investor sentiment and their capacity to make the essential capital investment that is urgently required within the sector. It is also creating much uncertainty for existing operators and is causing some to question their ability to continue to operate in the sector.

Furthermore, as a result of its near monopoly position, the State, through the National Treatment Purchase Fund (NTPF) exerts significant control and influence over the rates currently paid for residential care in the market. Notwithstanding the strong demand that currently exists for long-term residential care, unlike other businesses that operate in more open markets, nursing home operators cannot flex the fees they charge for their services. This has implications in terms of their ability to reinvest in their business or to expand existing capacity.

As the dominant purchaser of nursing home care, the State has a key role to play, through public policy, in alleviating these concerns and creating an environment which is conducive to stimulating and encouraging the investment which is now required to address the issues of under capacity in the sector.

The nursing home sector is, as a result of the introduction and work of HIQA (Health Information and Quality Authority, arguably now one of the most regulated sectors in Ireland. People entering nursing homes do so safe in the knowledge that nursing home operators adhere to a comprehensive set of regulations and have the necessary systems in place to safeguard the welfare of residents.

However, these care standards and regulations are not evenly applied across all older people’s services and supports, with the home care sector, for example, currently unregulated.

The Government and its agencies are committed to developing a more integrated care model that treats patients at the lowest level of complexity that is safe, timely, efficient and as close to home as possible. This is to be achieved through the provision of additional community and home based care to provide for the full health and social needs of older persons.

The HSE’s Service Plan for 2014 places even further emphasis on developing and supporting community and home based care supports for the elderly. Although funded by Government, a number of other older person’s services (Home Help, Home Care Packages) are provided, at what
is a significant cost, in what is an unregulated market.

The risks to the individual and the State are obvious and this is a situation that urgently needs to be addressed in order to avoid adverse outcomes. A truly integrated model of care requires the independent regulation of the quality of all health and social care services.

**It is vital that in this new and evolving continuum of care model, all patients are assured of and benefit from the same levels of protection enjoyed by nursing home residents.**

HIQA regulations and the development of individual care plans are very much focused on matching the care services provided to the needs of the resident. While the Nursing Home Support Scheme (NHSS) has, for many, improved both accessibility to and affordability of nursing home care, the flat rates agreed (irrespective of dependency levels or accommodation arrangements) do not suggest a resident centered approach.

The strong levels of demand for the NHSS/Fair Deal and associated waiting lists, demonstrate the need for sustainability of current nursing home capacity and requirement for additional nursing home beds.

Waiting times for those in need of nursing home care are increasing. The funding of the scheme is, from an exchequer point, coming under increasing pressure. The timing of the review of the Fair Deal is therefore taking place at an important time. It provides a real opportunity to consult with the nursing home sector to ensure that any changes to the scheme address the current difficulties being experienced by operators and to commence the process of effectively planning to meet the care needs of our older population.

Any plan for the sector and the funding of essential nursing home care must be cognisant of meeting the needs and requirements of our ageing population. A cohesive strategy, matched by a sustainable funding model which allows for the on-going delivery of high quality care and supports the necessary investment in new capacity and service development, must now be developed as a matter of priority.

1.2 Report Objective

In light of the issues and challenges facing not only the nursing home sector, but the provision of older persons care generally, Nursing Homes Ireland (NHI), have commissioned BDO to conduct an independent evidence-based review of the nursing home sector, with the objective of addressing the following:

- Demonstrates the vital role played by the nursing home sector in Ireland’s healthcare system, especially within the context of an ageing population;
- Identifies and considers the impact of the regulatory, operating and financial environment within which nursing homes currently operate;
- Examines some of the current impediments impacting on the development and expansion of the sector;
- Considers the sustainability of the current provision of nursing home beds;
- Considers and examines the role government and policy makers must play in the future development of the sector;
- Highlights the impact of inaction on society and on the wider health service; and
- Makes recommendations in terms of, what may represent, appropriate policy responses.

1.3 Methodology & Approach

This review has been based on an extensive literature review of national and international reports, Government commissioned reports and reviews, newspaper articles, Central Statistics Office (CSO) data and reports, submissions by relevant organisations and review of relevant third party web-sites.

We have conducted research and analysis of other European Countries in order to identify the strategies, supports, systems and services which exist to meet the needs of older people.

We have undertaken extensive engagement with key stakeholders throughout the nursing home, older persons care and wider health sector, which has include contributions from the following organisations and associations:

- Age Action Ireland
- Bank of Ireland
- Centre for Ageing Research and Development Ireland (CARDI)
- Department of Health
- Disability Federation of Ireland
- Health Information and Quality Authority (HIQA)
- Health Services Executive (HSE)
- Individual Nursing Home Owners
- Irish Medical Organisation (IMO)
- National Treatment Purchase Fund (NTPF)
- Representatives of the Board of NHI and the Commercial and Financial Affairs Sub-Committee
- Ulster Bank.

1.4 A New Vision for Ireland’s Long-Term Residential Care Sector

This report does not propose to present a strategy for addressing all the issues and challenges as they pertain to the provision of older person supports and services in Ireland. The purpose of the research is to help inform future national strategy for aged care provision and to provide guidance as to what may represent appropriate future policy responses and directions, specifically with regards to the future role of Ireland’s nursing home sector.
2. Aged Care Provision in Ireland

2.1 Introduction

Within Ireland a range of formal supports and services exist which provide care for our ageing and elderly population. In their most basic form, these services can be broken down into:

- Home care and home help packages.
- Short-term/ respite care.
- Long-term residential care (often referred to as nursing home care).

As the name suggests, home care and home help packages are typically provided in an individual’s home and done so with the objective of enabling the individual to stay and be cared for in their home for as long as is practically possible.

Since the 1960s successive governments in Ireland have stated a commitment to pursuing policies with the intended effect of enabling as many people as possible to continue living in their own homes.

This approach is in line with current Government and HSE policy. It is also consistent with international trends, where "most countries have been attempting to shift the focus from residential to home care".1

Current Government policy in relation to older people is aimed at supporting people to live in dignity and independence in their own homes and communities for as long as possible and, where this is not possible, to support access to quality long-term residential care.2

However, as it is not always possible to provide the appropriate level of care and support in one’s home through home help/care support, for many, there will come a time when, by virtue of their care needs, there will be a requirement for long-term residential care, which in Ireland has traditionally been provided by public, private and voluntary run nursing homes.

It is estimated that approximately 4.5% of the 65+ population in Ireland is currently in long-term residential care. This would be in line with international benchmarks, as illustrated in the table below, and is typically the percentage employed by health care planners when forecasting future long-term residential care requirements.

Despite it being stated policy of the Department of Health and HSE to reduce the percentage of the population aged 65+ in long term residential care, it is difficult to see how significant reductions can be achieved, particularly when viewed in the context of the situation in comparable European Countries.

Table 1 – % of Population aged 65+ in Long-term Residential Care

<table>
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<tr>
<th>Country</th>
<th>% of Population aged 65+ in Long-term Residential Care</th>
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<tbody>
<tr>
<td>Hungary</td>
<td>8%</td>
</tr>
<tr>
<td>Sweden</td>
<td>7.5%</td>
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<tr>
<td>Switzerland</td>
<td>6.6%</td>
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<tr>
<td>France</td>
<td>6.3%</td>
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<tr>
<td>Norway</td>
<td>5.8%</td>
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<tr>
<td>Finland</td>
<td>4.9%</td>
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<tr>
<td>Czech. Rep</td>
<td>4.9%</td>
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<tr>
<td>Ireland</td>
<td>4.5%</td>
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<tr>
<td>Denmark</td>
<td>4.4%</td>
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<tr>
<td>UK</td>
<td>4.2%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>3.9%</td>
</tr>
<tr>
<td>Austria</td>
<td>3.6%</td>
</tr>
<tr>
<td>Germany</td>
<td>3.4%</td>
</tr>
<tr>
<td>Italy</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

Source: Projecting The Impact of Demographic Change On The Demand For And Delivery Of Health Care In Ireland, October 2009.

The population of older people in Ireland is increasing. This has significant implications in terms of the numbers of people who will have a requirement for residential care.

This demand is increasing exponentially as a result of our ageing population and improvements in life expectancy rates. The percentage of older people requiring residential care doubles for those aged over 85 years when compared to the 80-84 age group and increases by a further 70% for those aged 90+.

Unlike other European Countries where more integrated models of older care services and supports exist, the model of care for elderly people remains underdeveloped in Ireland. This is reflected in limited intermediate/ or step-down options for our older population.

As a result significant demands continue to be placed on the nursing home sector to meet the care needs of our older population. This has consequential cost implications for the individual, their families and the State.

It also has a serious impact on the acute hospital sector, as people

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1 Long Term Care Report, January 2008
2 Summary and Comparison of Key Social Provisions for Older People in the Republic of Ireland and Northern Ireland, July 2010
who cannot access nursing home care will, in many cases, be left with no option but to seek acute hospital care. Not only does this have significant cost implications for the State, it also impacts on the ability of the entire population to access acute care.

This is a situation, which unless addressed will be exacerbated further in future years. Research undertaken by the ESRI and CARDI clearly points to increases in the number of older people who will require residential care in the future.

The forecasts included in the ESRI report suggest a requirement for an additional 13,324 residential LTC places from 2007 to 2021, or approximately 888 per annum, implying a residential LTC utilization rate of 4.5% of people aged 65 years and over.

If acute care capacity is reduced and female labour force participation rates among younger women are substantially sustained as they become older, the additional capacity requirement in residential LTC will increase by at least two-thirds to over 21,000 places or in excess of an additional 1,400 per annum.

In this section of the report, we examine in detail the main forms of older care provision in Ireland, exploring the role of the nursing home in the broader primary care delivery to include home help and home care packages, day care.

We examine some of the main changes in the structure of aged care provision over the last decade; key demographic changes and the impact of regulatory and legislative change on older care provision are also considered.

2.2. Formal Care Provision for Ireland’s Older Population

2.2.1 Nursing Homes

Nursing homes are the main providers of long-term residential care in Ireland, with private, voluntary and public nursing homes providing capacity for in excess of 27,100 residents.

It is estimated by NHI, that approximately 22,000 people are directly employed by the private and voluntary nursing home sector, contributing over €170m to the exchequer on an annual basis through direct taxation paid.

According to NHI, hundreds of millions is also paid directly by the sector on an annual basis to the State through the payment of commercial rates, water charges, VAT and other spend.

Traditionally, public and voluntary homes were the dominant setting for residential care. However, the availability of tax incentives introduced by the Minister for Finance in Budget 1998 led to an increase in the number of private nursing homes and nursing home beds. The private sector is now the largest provider of nursing home beds. At the same time there have been notable falls in beds provided by the public and voluntary sectors.

Nursing homes provide a more appropriate care setting for individuals whose specialist care needs would otherwise have to be met in an acute hospital setting, which may not always be the most appropriate setting for these individuals care or health needs.

The principal reason for older people requiring residential care is related to long-term physical or cognitive disability; other reasons include social issues and, for shorter periods of time, convalescence and rehabilitation (Department of Health 2011). For this reason, long-term residential care is the only option for key cohorts of our older population.

It is important to note that the reasons for entering nursing home care in Ireland are increasingly driven by an independently assessed requirement. This is re-enforced by the Fair Deal Scheme, which ensures that it is those members of society who have been independently assessed as having a requirement for residential care, who now make up the majority of Ireland’s nursing home population.

This care is generally provided in a community setting that is, in the main, more appropriate and suited to their continuous care requirements. The majority of admissions to private nursing homes come from the acute hospital sector, whereas admissions to HSE nursing homes are predominantly from the community.²

Unlike other older person services, nursing homes operate in what is a highly regulated market, providing appropriate, dedicated and specialist care to those in their care.

Individuals seeking state support and ancillary state support, through the NHSS/Fair Deal, towards the cost of their residential care must have a care needs assessment report. This is undertaken in the form of a Common Summary Assessment Report (CSAR) by a multi-disciplinary team.

This approach now ensures that the person is independently assessed and the care received is tailored to meet a person’s requirements, based on a dedicated individualised care plan developed by the nursing home.

3 Department of Health Long-Stay Activity Statistics, 2011
As outlined later in this document, there are some inconsistencies in terms of total long-term residential bed capacity in Ireland.

According to the most recent figures provided by HIQA (October 2013), they estimated that there are approximately 27,108 long-term nursing home beds, broken down as follows:

<table>
<thead>
<tr>
<th>Home</th>
<th>Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>19,262</td>
</tr>
<tr>
<td>Voluntary</td>
<td>1,686</td>
</tr>
<tr>
<td>Public</td>
<td>6,160</td>
</tr>
<tr>
<td>Total</td>
<td>27,108</td>
</tr>
</tbody>
</table>

The Nursing Home Support Scheme (NHSS/Fair Deal) is the principle means of financial support for people availing of the nursing home care and is based on a co-payment arrangement between the State and a contribution from the resident.

According to the HSE’s National Service Plan 2014, it is estimated that approximately 23,000 people will have been funded under the NHSS during 2013. This represents a significant majority of the actual number of nursing home residents. Notwithstanding our ageing population, the expected numbers to be funded during 2014 is 22,061. This represents a reduction of 939 persons, at a time increasing demand.

Further details of the make-up and structure of the nursing home sector and the role and operation of the NHSS are set out later in this section of the report.

2.2.2 Home Help

In Ireland, Home Help Services comes under the umbrella of Community Services, offering a service to certain categories of people including older people. Home help services typically include a range of household tasks, such as light cleaning, meal preparation, transport and in some cases personal care. This in addition to the Home Care package scheme is one of the two main provisions aimed at providing care in one’s home.

To avail of home help, an applicant will make contact with a local public health nurse to apply for home help services. An assessment of need will be undertaken, with home help services then provided directly or indirectly (via community, voluntary or private party) by the Health Service Executive (HSE).

Over 9,000 people or approximately 73% of home helps are directly employed by the HSE.

Home help services are financed through general taxation. Older people receiving home help may, in some instances, be asked to make additional contributions towards the services but this varies depending on the person’s means and locality.

Financial support for home help services is not means tested, but based on an assessment of need. Older people with a requirement for home help can also purchase care privately.

According to information presented by the HSE, in September 2013, the following hours have been provided (both directly and indirectly) by the HSE under the home help service.

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Hours</td>
<td>11.092m</td>
<td>9.89m</td>
<td>10.3m</td>
</tr>
</tbody>
</table>

2.2.3 Home Care Packages Scheme

The Home Care Supports or Home Care Packages (HCPs) scheme is the other formal provision by which the State supports older people with care needs living in their own home.

The introduction of HCPs was recommended by the Inter-Departmental Working Group on Long-Term Care, to reduce the utilisation of hospital care and residential long-term care by older people.

A HCP is defined by the HSE as consisting of “community services and supports which may be provided to assist an older person, depending on their individual assessed care needs, to return home from hospital or residential care or to remain at home”.

The HCP may comprise “paramedical, nursing, respite and/ or home help and/or other services depending on the assessed care needs of the individual applicant” (Health Services Executive 2011).

Each HCP is tailored to the needs of the individual based on their medical condition and the level of care required.

The HCP can consist of a combination of direct services, which can be provided by public agencies or purchased from private and voluntary agencies, and cash payments to enable the recipient to purchase their own care.

The HCP scheme is financed through general taxation and there is no legal basis to the scheme – not means tested.

According to data from the Department of Health, approximately 10,526 people were in receipt of HCP on 31.12.12, with a target of 10,870 set for 2013. Approximately 16,400 people benefited from HCP in 2012. The HCP Scheme Budget for 2013 is €130m with the majority of this funding directly covering the cost of the HCPs.

In Ireland the provision of Home Care and Help is currently unregulated.

2.2.4 Comparing the Cost of Care

Within the following table, we have examined the hourly and weekly cost of the key older person care services – namely home care services and nursing home care.

PA Consulting, in their analysis of the Irish Home Care Market, identified an hourly rate of €29.44 charged by HSE and Non-Profit Organisations for the provision of home care services. The average hourly rate charged by the private sector has been estimated at €21.

Assuming the provision of home care five days a week for eight hours a day, this equates to a “weekly” cost of €1,178 for HSE/ Non-Profit home care services, and a weekly rate of €840 for home care services provided by private providers. These costs are only marginally below the weekly costs of public and private nursing home care.

Again it is important to emphasise that Nursing Homes operate in a highly regulated market, providing full nursing home care 24 hours a day seven days a week to those cohorts of the population who have been independently assessed as requiring nursing home care.

4 Timonen, V., M. Doyle, and D. Prendergast. 2006. No place like home: domiciliary care services for older people in Ireland. Dublin
Even if some of these people could be cared for through the provision of home care support, it is highly unlikely, based on their care needs and dependency levels, that this care could be provided at rate below that paid within a nursing home setting.

Nursing homes provide 24 hour care to residents with complex care needs. The weekly cost of providing the equivalent level of care, through home care or home help packages, as demonstrated in Table 4, is significantly in excess of the cost within a nursing home setting.

<table>
<thead>
<tr>
<th>Type of Care</th>
<th>Hourly Rate</th>
<th>Average Weekly Rate (Across All Homes, Across All Regions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€21</td>
<td>€29.44</td>
</tr>
<tr>
<td></td>
<td>€888</td>
<td>€1,404</td>
</tr>
<tr>
<td></td>
<td>€3,528</td>
<td>€4,946</td>
</tr>
</tbody>
</table>

2.2.5 Care of our older population- Future Policy

As outlined previously, stated Government policy has been to support older people to remain at home in independence for as long as possible or, where this is not possible, in an alternative appropriate quality residential setting.

This was evident in the 2014 Budget and HSE’s 2014 Service Plan, where the decision was taken to divert €23m from the NHSS to Home Care Packages.

While, all stakeholders are in agreement on the need to develop and support home care and other community based services, this decision has been met with some concern.

Age Action, in response to the decision, noted the following “we welcome the HSE’s plans to concentrate on developing community based services and supports to enable more older people remain living at home, but we are extremely concerned that the switch in some of the funding from nursing home supports to community supports which the HSE is planning will be insufficient to meet the needs of the sickest of older people who will be affected”.

They went on to add “older people those whose needs are not met in the community will be admitted to acute hospitals, while others will be left struggling at home on ever-lengthening waiting lists for a nursing home bed”.

Eamon Timmins, spokesperson for Age Action, highlighted the decision to reduce the number of beds funded under the Fair Deal scheme noting that the 2014 target is approximately 1,702 beds less than were funded under the Scheme to the end of October 2013. Mr. Timmins raises concerns regarding the lack of clarity as to how the estimated 700 to 1,700 people will be cared for.

Even if the Government is successful in diverting some people away from nursing homes to more home based care, as the Long-Term Care report highlighted, future demographic trends, along with the fragmented and incomplete nature of existing services, pose a significant challenge in terms of building an infrastructure to provide long-term care for older people in Ireland.

The growth of our 65+ population, but particularly those in the age cohorts (80-84, 85+), will result in significant increases in our population whose care needs can only be met in a long-term residential care setting.

Wren et al note that there will be requirements for substantial increases in the provision of long-term care in every setting and to the degree that socio-economic developments such as increased female labour force participation or emigration by younger women reduce the potential supply of informal care-givers. These requirements will fall more heavily on the formal care services whether domiciliary or residential.

In tandem with this, the Government has adopted an explicit policy of reducing resources in acute care and transferring resources to the community sector- the ‘preferred health system’.

The research conducted by Wren et al, has suggested that if this policy is implemented, the acute inpatient bed requirement in public and private hospitals will reduce to 7,777 by 2020, while beds for day procedures will increase to 4,125.

OECD data show that this projected inpatient bed count would place Ireland at the bottom of the current OECD range of inpatient bed capacity for countries with similar age profiles.

The research suggests that the approach being adopted by the Government implies moving to the model of health care provision in Sweden which has the lowest current acute bed complement in the OECD comparison.

As evidence from Sweden has demonstrated, when it reduced its acute capacity it also increased long-term residential care capacity, with 7.5 per cent of over 65’s currently receiving long-term care in residential homes and 9.5 per cent receiving formal care at home. This has significant implications in terms of future long-term bed requirements in Ireland and raises serious questions about the policy and ability of the Government and its agencies to reduce the overall percentage of our population over 65+ in long-term residential care below 4.5%, which as outlined previously, is broadly in line with international experience.

At present, there are no national quality standards and no legislative scheme for independent regulation of the domiciliary care sector, whether provided by public, not-for-profit or the private sector.

However, Future Health proposes the regulation and licensing of all health and social care services to ensure that all operators exercise good governance, thereby ensuring their long-term viability and availability to communities they serve.

The HSE is in the process of establishing a voluntary set of standards for services that it funds and which are provided by the public, private, voluntary and community sector organisations.

In June 2013, Minister of State for Older People Kathleen Lynch went on record to say that while it isn’t possible to say when it will happen, she has given a commitment that home support services would be the “next obvious area” to be regulated.

She went on to say that while the Government will legislate for home care regulation it is likely to be closer to 2015/16 before it comes into place.

5 Towards the Development of Predictive Model of Long-Term Care Demand For Northern Ireland and the Republic of Ireland, 2012
6 Projecting The Impact of Demographic Change On The Demand For And Delivery Of Health Care In Ireland, October 2009
The programme for government contains a commitment to develop and implement a statutory regulation system for homecare services, which would include inspections by 2016.

2.3 Changes in the structure of residential care provision in Ireland

2.3.1 Changing split – Private, Public, Voluntary Provision

In Ireland, public and voluntary nursing homes were formerly the dominant setting for long-term residential care, but have now been replaced by privately owned and operated homes.

Efforts to estimate the precise number of nursing homes in Ireland are hindered by the fact that there are multiple and conflicting sources of information available.

A report, undertaken by the National Council of the Elderly and published in July 1991, provided, what was believed to represent, the most accurate assessment of the size of the Irish nursing home sector at that time.

This report estimated a total of 14,922 long stay beds in 1988. Details of the composition of these beds are set out in the following table.

<table>
<thead>
<tr>
<th>Year</th>
<th>Health Board Geriatric Hospitals/Homes</th>
<th>Welfare Homes</th>
<th>Voluntary/Approved Nursing Homes</th>
<th>Other Private Nursing Homes</th>
<th>Total Long-Stay Bed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>7,077</td>
<td>1,433</td>
<td>3,171</td>
<td>3,241</td>
<td>14,922</td>
</tr>
</tbody>
</table>

Research undertaken by Centre for Health Policy and Management and published in October 2012 estimated that there were 27,397 long-term residential beds in 2006.

This represented an increase of 84% on the numbers reported in 1988, with the private sector the key driver of new nursing home capacity.

This estimate was made by combining public, private and voluntary long-stay bed count and survey data from the Department of Health and Children and Irish Nursing Home Organisation Surveys.

This research broke down the number of beds by public long and limited stay facilities (9,488) and private and voluntary nursing homes (17,909), suggesting substantial growth in the private and voluntary sector with only marginal growth in the public sector.

The trend of a growing private and voluntary sector has continued into 2013, albeit at a much slower rate than historic levels. These figures indicate that the private and voluntary sector combined provide 21,948 beds or 81% of the total nursing home supply of 27,108 beds.

As the following table demonstrates, there is some discrepancy between the figures provided by Department of Health, NHI, HIQA and the HSE in terms of the overall number of long-term residential beds in Ireland.

For the purpose of our analysis, we have used the HIQA figures as the basis for our forecasts and estimates for future nursing home bed requirements.

<table>
<thead>
<tr>
<th>Year</th>
<th>NHI 19,549</th>
<th>HIQA 19,262</th>
<th>HSE 21,397*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>6,160</td>
<td>1,686</td>
<td>27,108</td>
</tr>
</tbody>
</table>

Based on the information above, some clear trends are emerging

- Overall bed capacity in the sector has grown by approximately 82% over the last two decades.
- This increase in capacity, has in the main, been driven by the private sector.
- While capacity did increase slightly in the public sector between 1998 and 2006, there has been a notable fall off in long stay beds in the public sector which fell from 8,510 beds in 1988 to 6,160 beds in 2013, a 28% fall over this period.

2.3.2 Regional Analysis of Nursing Home Supply

For the reasons outlined above, accurate historical analysis of the regional distribution of the number of nursing homes and beds in Ireland is difficult.

Compounding difficulties, there are significant variances in terms of regional definition, making direct comparisons between various data sources practically impossible.

Given that the main growth in the number of nursing beds has taken place in the private sector, and with the private and voluntary sector accounting for approximately 81% of total bed supply, analysis of NHI statistics does provide some indication of regional trends in terms of overall nursing home capacity.

As can be seen in table 8 overleaf, all areas with the exception of the East Coast and North-Western areas have seen a growth in terms of bed numbers in the period up to 2010.

The only area to record a fall in bed numbers between 2007 and 2010 was the North-Western Area, where a net reduction of 88 beds was noted in the Area over this time.

Table 6 – Number of Long-Term Residential Beds, Ireland 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Public</th>
<th>Voluntary</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>6,160</td>
<td>1,686</td>
<td>19,262</td>
<td>27,108</td>
</tr>
</tbody>
</table>

Source: HIQA, October 2013

7 The Role and Future Development of Nursing Homes In Ireland, National Council for the Elderly July 1991
The Long-Stay Activity Statistics, prepared by the Information Unit of the Department of Health, provide statistics on the number of beds available for long-term care, how the beds are used and the types of patients who occupy these beds.

As the data is based on the number of completed responses, the figures provided in relation to the number of beds and residents are directly affected by the survey response rate and may therefore not be a true reflection of the actual number of beds and residents. However, the statistics do act as a useful guide in terms of the age profile and dependency levels of the current long-stay population.

The most current data available is that presented in The Long-Stay Activity Statistics, 2012. Details of the summary results by bed type are set out as follows.

It should be noted that the information presented is based on the number of responses (78.1% response rate) provided and therefore is not fully reflective of the market, particularly in terms of overall capacity and dependency levels of the current long-stay population.

The Long Stay Activity statistics for 2012 suggest that 43% of residents occupying long-stay beds have dementia or other chronic mental illness. While this figure represents a significant portion of the nursing home population, research undertaken by Cahill et al suggests that the figure could be as high as 63.1%. This has serious implications in terms of dependency levels and appropriate care settings.

In addition to the age of the population, for nursing homes, dependency levels are a key driver of demand and also have implications in terms of the cost associated with the provision of appropriate care.

### 2.3.3 Characteristics of Nursing Home Residents

#### 2.4 The Cost of Care

#### 2.4.1 The Cost of Care

Under the Nursing Home Support Scheme, fees to be charged by Private Nursing Homes under the Fair Deal are agreed between the nursing home provider and the National Treatment Purchase Fund (NTPF). A weekly fee for the cost of care in Public Homes is also provided, although this is not subject to the same process of negotiation.

The national average weekly prices agreed for long-term residential care in private nursing homes varies between public and private nursing homes and also depending on location.

The current published average weekly cost of care in the private sector across all of Ireland is €888 (October 2013). The comparable average figure for public nursing homes is €1,404 per week.

The cost of €1,404 could, however, be underestimated as evidenced by a statement from previous HSE CEO Cathal Magee to the Oireachtas Committee on Health when he quoted an average weekly cost of care of €1,800. An information document prepared by the HSE in 2012 for the Midlands region presents details of an average weekly cost per bed in public nursing homes in the region of €1,906.

---

**Table 8 – Private and Voluntary Nursing Home Beds by Region 2007 & 2010**

<table>
<thead>
<tr>
<th>HSE Area</th>
<th>Number of Beds 2010</th>
<th>Number of Beds 2007</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Coast</td>
<td>2,447</td>
<td>2,447</td>
<td>0%</td>
</tr>
<tr>
<td>Northern</td>
<td>1,964</td>
<td>1,763</td>
<td>11.4%</td>
</tr>
<tr>
<td>South-Western</td>
<td>2,219</td>
<td>1,848</td>
<td>20.1%</td>
</tr>
<tr>
<td>Midlands</td>
<td>1,218</td>
<td>1,035</td>
<td>17.7%</td>
</tr>
<tr>
<td>Mid-Western</td>
<td>2,086</td>
<td>1,788</td>
<td>16.7%</td>
</tr>
<tr>
<td>North-Eastern</td>
<td>1,769</td>
<td>1,746</td>
<td>1.3%</td>
</tr>
<tr>
<td>North-Western</td>
<td>945</td>
<td>1,033</td>
<td>-8.5%</td>
</tr>
<tr>
<td>South-Eastern</td>
<td>2,322</td>
<td>2,153</td>
<td>7.8%</td>
</tr>
<tr>
<td>Southern</td>
<td>2,730</td>
<td>2,428</td>
<td>12.4%</td>
</tr>
<tr>
<td>Western</td>
<td>2,890</td>
<td>2,642</td>
<td>9.4%</td>
</tr>
<tr>
<td>Total</td>
<td>20,590</td>
<td>18,883</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

**Source:** HBC, Annual Nursing Home Survey 2009/10

**Table 9 – Long-Stay Activity Statistics, 2012 Summary of results by bed type**

<table>
<thead>
<tr>
<th></th>
<th>Long-Stay Beds</th>
<th>Limited-Stay Beds</th>
<th>All Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Beds Reported</td>
<td>19,752</td>
<td>2,123</td>
<td>21,875</td>
</tr>
<tr>
<td>% Occupancy</td>
<td>93.6%</td>
<td>73.2%</td>
<td>91.6%</td>
</tr>
<tr>
<td>% Aged 80 and Over</td>
<td>69.7%</td>
<td>58.7%</td>
<td>68.9%</td>
</tr>
<tr>
<td>% of Men Aged 80 and Over</td>
<td>57.3%</td>
<td>50.1%</td>
<td>56.6%</td>
</tr>
<tr>
<td>% of Women Aged 80 and Over</td>
<td>76.3%</td>
<td>64.7%</td>
<td>75.5%</td>
</tr>
<tr>
<td>% High or Maximum Dependency</td>
<td>67.6%</td>
<td>50.7%</td>
<td>66.3%</td>
</tr>
</tbody>
</table>

One of the most notable features of the long-stay statistics is the trend towards a decline in the percentages of residents who would be classified as falling into low and medium dependency category and increases in the percentages of those who would be classified as falling into the maximum dependency category.

Between 2009 and 2012 there have been declines in the overall percentages of low, medium and high dependency residents in long term care, while the number of maximum dependency residents has increased by 7.4 percentage points over this period, from 31.6% of all residents to 39% of all residents in 2012. This has been matched by a corresponding fall in the percentages of low, medium and high dependency residents.

Based on our research and discussions with the HSE, Department of Health and individual nursing home operators, there is strong evidence to suggest a continuation of this trend during 2013. CSR under NHSS determines only those that have been assessed high/max dependency as requiring LTC are approved.

Research undertaken by Cahill, O’Shea and Pierce (2012), raised questions about the reliability of data contained in the Long Stay Activity Statistics, particularly in relation to the numbers of people with dementia. They concluded that the number of people within nursing homes in Ireland with undetected dementia is likely to be high and certainly much higher than the official figures suggest.

The Long Stay Activity statistics for 2012 suggest that 43% of residents occupying long-stay beds have dementia or other chronic mental illness. While this figure represents a significant portion of the nursing home population, research undertaken by Cahill et al suggests that the figure could be as high as 63.1%. This has serious implications in terms of dependency levels and appropriate care settings.

In addition to the age of the population, for nursing homes, dependency levels are a key driver of demand and also have implications in terms of the cost associated with the provision of appropriate care.
Historically, variations in the price paid, particularly those between the private & voluntary and public sector have been accounted for by the argument that dependency levels are higher in public nursing homes and as a consequence public homes operate with higher staff to resident ratios\textsuperscript{11}.

However, the viability report appears to suggest that there are other contributory factors stating that “it will still not be possible to achieve the private sector efficiency for operating long-stay units due to public pay agreements and conditions which cannot compete with the private sector.”

What is clear is that the State is currently paying between 58% and 103% more per resident in a public nursing home than the comparable fee paid to a private or voluntary home.

Not only has this price differential been acknowledged by the State, but openly questioned by the Minister for Health to a Joint Committee on Health and Children where he stated “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” (November 2011).

The report of the Controller and Auditor General 2010, found that the cost of public nursing home facilities is significantly higher than the prices paid for private nursing home places. Furthermore, the report went on to note that the cost of public nursing homes could be further impacted by the costs required to upgrade facilities in line with the HIQA standard 25B in relation to the physical environment.

In Ireland, as the State is the main purchaser of nursing home care, through the Fair Deal, enjoying what could be viewed as a monopoly purchaser position, commentators often refer to the Fair Deal Rate as being the cost of care.

While the Fair Deal represents the price paid, it is important to differentiate between what a nursing home resident pays for their care versus the actual cost of providing this care.

In a normal market, price is usually greater that cost, and this is what gives a business its profit. However, given the State’s dominant market position, as a result of the Fair Deal, nursing homes do not operate in a normal market.

The cost of nursing home care is a function of a number of cost components as illustrated below.

![Cost Components](http://www.hse.ie/eng/services/list/4/olderpeople/nhss/costs.html)

**Labour & Staff Costs**

Labour costs are the single largest cost component in the operation of a nursing home. Based on data collected by Horwath Bastow Charleton (HBC) in their Annual Private Nursing Home Survey 2009/2010 they found that labour costs accounted for 61.5% of turnover in private and voluntary nursing homes in Ireland.

The costs in public and voluntary homes are often somewhat higher due to a combination of different skill mix and pay arrangements related to sick pay, double time and other benefits.

According to research conducted for BUPA by Laing & Buisson (2011) in the UK, total staff costs for a nursing home typically average 56% of revenue.

This lower cost, relative to the comparable figure in Ireland, may be accounted for by the fact that on average care and nursing homes in the UK are larger (average of 50 beds) than their Irish counterparts and therefore provide greater opportunity to realise and achieve economy of scale benefits.

**Building & Maintenance Costs**

Building and maintenance costs are often a function of the age of the nursing home, rather than its location or other factors. Building and maintenance costs account for 5-6% of a nursing homes' total income, but will vary depending on the age of the property.

As Ireland’s private nursing home bed stock is relatively new in comparison with other countries, this has the effect of keeping this cost somewhat lower than what might otherwise be expected.

However, given the age profile of many of the newer homes, the coming years will see a requirement for capital investment to update, refurbish and modernise some of these homes. This is likely to have an inflationary effect on building and maintenance costs.

**Other Operating Costs**

This category of expense covers current overheads and expenses associated with the operation of a nursing home other than staffing costs, building costs and financing costs. HIQA Compliance costs will fall under the head of operating costs.

HBC’s Annual Private Nursing Home Survey 2009/10 found that the introduction of HIQA’s standards, which came into operation in July 2009 have imposed additional “onerous” costs on operators to ensure compliance with HIQA standards and that the NTPF need to recognise legitimate cost increases incurred in meeting the standards when agreeing ‘Fair Deal’ rates.

Other operating costs typically average between 14-17% of revenue.

**Capital Costs**

In the UK capital costs account for between 25-31% of total revenue. These costs will vary in line with building and equipment costs, and land prices. Capital costs can be the most difficult to measure.

The Laing & Buisson/ Joseph Rowntree model\textsuperscript{12} suggests that the purchasers of care homes in the UK are seeking a return of 12%, while a
report conducted by Horwath Bastow Charleton (HBC) for Age Action Ireland in 2006\textsuperscript{\textregistered} suggested that operators in Ireland require a 10% return.

### 2.4.2 A Fair Price for Appropriate Care

Based on the research and analysis conducted by HBC in 2006 and published in April 2007 for Age Action, they concluded what they termed a “Fair Price” per resident per week for nursing home care of €1,101 for homes in the Greater Dublin Area and €994 per week for homes operating outside the Greater Dublin Area and introducing national quality standards.

It is important to note that these estimates were made in 2006, and are pre the establishment HIQA. They are therefore not reflective of the additional costs that have been imposed on nursing home operators as a result of meeting the requirements of a more regulatory environment. Nor for that matter do they take account of general inflationary cost increases that have occurred in the intervening period.

#### Table 10 – Cost of Care As Estimated by Horwath Bastow Charleton, April 2007

<table>
<thead>
<tr>
<th>Cost Component</th>
<th>Greater Dublin Area €</th>
<th>Outside Greater Dublin Area €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour &amp; Staff</td>
<td>590</td>
<td>544</td>
</tr>
<tr>
<td>Building &amp; Maintenance</td>
<td>110</td>
<td>107</td>
</tr>
<tr>
<td>Other Operating Costs</td>
<td>108</td>
<td>108</td>
</tr>
<tr>
<td>Capital Costs</td>
<td>293</td>
<td>235</td>
</tr>
<tr>
<td>Total Costs</td>
<td>1,101</td>
<td>994</td>
</tr>
</tbody>
</table>

When the various cost components and recommendations of HBC are considered, it is clear, based on the average rates currently being negotiated by the NTPF, that there is a gap between the actual cost of providing care, based on 2006 costs, and the current fees.

As a result, the opportunity for individual nursing home operators to make a reasonable profit, let alone generate an appropriate return on capital is limited and unlikely to be at what could be viewed as an acceptable rate of return.

This has serious implications in terms of the capacity of individual operators to reinvest in existing nursing homes, or for that matter to make the investment that is now urgently required in new nursing home beds.

### 2.4.3 Funding for Long-Term Care in Ireland

The funding for an individual’s care and residency in long-term care facilities across Europe varies between countries and will be determined by the established structures for health and social care provision within each country.

As set out in Appendix 1, the funding sources can come in the form of public funding through health and social care funding, or personal funds from individuals, obtained either through private health insurance, or an individual’s own income sources, or a combination of public funding and individual contribution as is the case of Ireland for those availing of the Nursing Home Support Scheme. Family members may, in some instance, be required to pay.

In Ireland, the NHSS/Fair Deal is the mechanism through which the cost of long term nursing home care, for the majority of nursing home residents is funded.

The scheme is administered by the Health Services Executive (the ‘HSE’) and provides financial support for people who have been independently assessed as having a requirement for long term residential care.

Anyone seeking funding under the Fair Deal will firstly undergo a comprehensive care needs assessment undertaken by a HSE multi-disciplinary team, in order to establish their need for long term residential care services.

The purpose of this assessment is to determine whether or not the person can be supported to continue to live at home or whether long-term nursing home care is appropriate. Only those assessed as having a need for long-term residential care will be approved for funding under the NHSS.

Following on from this, the HSE will conduct a financial assessment of the applicant to determine the contribution to be made by the applicant to the cost of their long term residential care and, consequently, the level of State Support to be provided by the HSE.

A successful applicant will generally contribute 80% of their disposable income and 7.5% of the value of their assets per annum. This calculation is subject to certain minimum thresholds.

A key feature of the scheme is resident choice. Once an applicant has been approved for the scheme, they are free to choose any approved nursing home, entering into a contract for care with their chosen home.

Contributions by eligible residents under the Fair Deal scheme can be made during the period they are residing in long term care, or may be deferred and paid from their estate after death.

Through Ancillary State Support, the HSE may pay the eligible resident’s entire cost of care, having first obtained a charge over their assets as security. Upon death, the HSE will proceed to recover the amount paid by it over and above the level of State support.

#### 2.4.4 The National Treatment Purchase Fund (NTPF)

While the HSE administers the Fair Deal Scheme and facilitates the payment to individual nursing homes, it is the role of the NTPF to agree the maximum price to be charged by “approved” private and voluntary nursing home operators for long term residential services to those residents in receipt of State Support.

A nursing home will be considered to be an “approved” nursing home, where it has entered into a binding written agreement (the “NTPF Deed”)
with the NTPF.

Once agreed between the NTPF and the nursing home owner, the Deed effectively operates as a State licence entitling the nursing home operator to enter into a contract with an eligible resident to provide long-term residential services for a pre-agreed rate.

2012 represented the fourth year of the Fair Deal scheme. According to information contained in the NTPF’s Annual Report 2012, a total of 433 private nursing homes had pricing contracts with the NTPF and the overall national average price of long term residential care was €885 per week.

The equivalent figures for 2011 and 2010 are set out in the following table.

Table 11 – Private Nursing Home Supply and Fair Deal Rates

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Private Nursing Homes</td>
<td>433</td>
<td>437</td>
<td>438</td>
</tr>
<tr>
<td>Average Weekly Rate (Across All Homes and All Regions)</td>
<td>€885</td>
<td>€877</td>
<td>€873</td>
</tr>
</tbody>
</table>

As outlined previously the current average fair deal rate paid to private and voluntary nursing homes is €888, with an average rate of €1,404 paid to HSE homes, across all regions in Ireland.

However, there are significant variations in the fee paid across the various homes and on a regional basis.

Based on the most recent list of published NHSS fees (17.01.14), the fees paid range from €625 agreed with a home in Galway to €1,275 agreed with a nursing home in Dublin14.

### 2.5 Regulation and Legislation of Long Term Residential Care

#### 2.5.1 The Role of the HSE

Prior to July 2009, the HSE had a statutory responsibility, under the Health (Nursing Homes) Act 1990, for registering private and voluntary (but not public) nursing homes and to carry out inspections of these homes.

#### 2.5.2 Health Information and Quality Authority (HIQA)

The Health Act, 2007, provided for the establishment of the HIQA, and for the registration and inspection of all residential care services for older people, including public, private and voluntary nursing homes. The purpose of the inspections is to ensure the delivery of quality of care and compliance with national quality standards.

Under the legislation, all residential care services for older people including HSE-run centres, and private and voluntary nursing homes are subject to registration. Residential care services for older people are only allowed to operate if they are registered with HIQA and each centre must undergo a renewal of their registration every three years.

The registration and regulation of designated centres is governed by two statutory instruments. These are Statutory Instrument S.I No. 236 of 2009 Health Act 2007 (Care and Welfare of Residents in Designated Centres for Older People) Regulations 2009 and Statutory Instrument S.I No. 245 Health Act 2007 (Registration of Designated Centres for Older People (Regulations 2009). Any centre found to be in breach of the legislation, may fail to achieve registration status or it may lose its registration status.

#### The National Quality Standards for Residential Care Settings for Older People In Ireland

The National Quality Standards for Residential Care Settings for Older People in Ireland were developed by HIQA and launched by the Minister on the 9th of March 2009.

The purpose of the standards is to promote best practice in residential care settings for older people and to improve the quality of life of residents in these settings.

There are 32 standards under 7 groupings – Rights, Protection, Health and Social Needs, Quality of Life, Staffing, The Care Environment and Governance and Management.

### 2.6 Changing demographics

The primary determinant of need for long-term care is largely driven by the size and age of the older population and associated levels of disability and dependence. However, actual demand for long term care in any setting is different to need and will be influenced by factors other than need including demographic and socio-economic factors as well as the availability of other forms of care for older people.

#### 2.6.1 Current Demographic Trends

The size and make-up of the Irish population has changed significantly over the last two decades and these trends look set to continue into the future, with key data pointing to significant increases in the need and demand for long-term care into the future.

According to the Census of Population 2011, Ireland’s population grew by approximately 8% between 2006 and 2011. While this population growth took place across a number of age groups, there is clear evidence pointing to the fact that as a population we are growing older and now living longer.

Ireland’s population is now beginning to catch up with other European countries in terms of population ageing. The population of those aged 65 years and over has been increasing at a faster rate than that of our EU neighbours. The number of people aged 65 and over is increasing by 20,000 every year and will more than double over the next 30 years. This has clear implications for health service planning and delivery.

Over a five year period to 2011, the number of people aged 65+ grew by 14.4% from 467,926 in 2006 to 535,393 in 2011. The CSO has, in its Population and Labour Force Projections15 estimated that the numbers of people aged 65+ will grow by as much as 62% between 2011 and 2026, up from 531,600 to 860,700 persons.

Increased life expectancy, improved prevention and treatment of illnesses, better housing conditions and increased home and financial supports have all contributed to raising the age profile of Ireland’s population.

The number of people aged 80+ also increased 14% from 112,912 to 128,529 between 2006 and 2011. The population projection for persons aged 80+ for 2021 is 175,700, which will represent an increase of 37% on the 2011 population. This is increasing the levels of frailty and complexity within the population of those who now and will in the future require long stay residential care.

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14 http://www.hse.ie/eng/services/list/4/olderpeople/nhss/CostofCarePrivateandVoluntaryNursingHomes.pdf

15 Population and Labour Force Projections 2016-2046, CSO
As outlined in the following table, Wren et al. (2012) estimated the percentage of people in the older aged cohorts requiring long-term residential care. Their analysis demonstrated increasing demand (in percentage term) as the population gets older.

Table 12 – % of age cohort in residential long-term care

<table>
<thead>
<tr>
<th></th>
<th>65-69</th>
<th>70-74</th>
<th>75-79</th>
<th>80-84</th>
<th>85-89</th>
<th>90+</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of age cohort in residential LTC</td>
<td>0.7%</td>
<td>1.5%</td>
<td>3.7%</td>
<td>8.4%</td>
<td>17.0%</td>
<td>28.9%</td>
<td>4.80%</td>
</tr>
</tbody>
</table>

As illustrated above, the probability of needing nursing home care rises exponentially with age. Given current demographic trends, increasing demand for residential care in Ireland is certain.

In Ireland, the proportion of those aged 85 and over in long stay care as a percentage of all those in long stay care has increased by 16% during the period 2003 to 2012.

The care provided by nursing homes and the nursing home support scheme is integral to the provision of healthcare in Ireland and will be central to meeting Ireland’s health and social care requirement’s.

As outlined previously the majority of admissions to private nursing homes come from the acute hospital sector. Shortfalls in nursing home capacity will therefore adversely impact on the numbers of people in the acute hospital sector.

It will result in placing increased demands on the acute hospital sector, which in turn will increase the numbers of delayed discharges, at a more substantial cost to the state.

2.6.2 Impact of Future Demographic Trends on Demand

Numerous reports and studies have been undertaken which have attempted to estimate future demand for long-term care. The most recent report undertaken by Wren et al. (2012)17 projected future demand under two scenarios.

In the first scenario, "utilisation of care is purely driven by population growth, with assumed constant age-related disability and care utilisation".

The second scenario assumes "constant disability-related utilisation of care, but also assumes a decline in disability rates over the forecast period".

They present a high and low utilisation rate.

Based on their analysis, which is summarised in the following table, they estimate that there will be a substantial increase in demand for long-term care by people aged 65+ even if rates of disability and rates of utilisation of care decline.

Table 13 – Estimate for Future Long-Term Residential Care Beds

<table>
<thead>
<tr>
<th></th>
<th>Residential Long-Term Care</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low Estimate</td>
</tr>
<tr>
<td>2006 Estimates</td>
<td>20,720</td>
</tr>
<tr>
<td>2021 declining disability projection</td>
<td>32,993</td>
</tr>
<tr>
<td>2006-2021 projected increase in utilisation</td>
<td>12,273 (59%)</td>
</tr>
</tbody>
</table>

BDO in this report has conducted its own analysis of current population estimates and forecasts.

Based on our analysis, and using the CSO Population and Labour Force projections as a reference point, we have estimated a shortfall of approximately 7,986 long-term residential care beds by 2021- or the equivalent of approximately 80 new nursing homes.

Our forecasts are based on the following assumptions:

- Addition of 3,051 beds by the private sector between 2012 and 2021.
- No increase or decrease in the overall public bed provision.
- A net decrease of approximately 400 voluntary beds.

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16 Towards the Development of a Predictive Model of Long-Term Care Demand For Northern Ireland and the Republic of Ireland, 2012
17 Towards the Development of a Predictive Model of Long-Term Care Demand For Northern Ireland and the Republic of Ireland, October 2012
3. Objectives and Instruments of Public Policy as regards Aged Care

3.1 Introduction

Any examination of the nursing home sector must be considered in the context of current policy provision and the framework for the delivery of care for the elderly in Ireland.

Within this section of the report, we examine the main public policy objectives of relevance to aged care in Ireland and the effectiveness of the instruments/frameworks currently being employed to deliver on these objectives.

The current Programme for Government proposes some of the most fundamental reform of our health services in the history of the State.

Future Health—A Strategic Framework for Reform of the Health Service 2012-2015 details the actions to be taken to achieve this reform. It also sets out some of the tangible changes that can be expected, and those which are of particular relevance to Ireland’s older population include:

- **More people cared for in their homes**: The reforms in social care will help older people and people with disabilities to live in their homes for as long as possible rather than go into residential care.

- **Improved quality and safety**: The reforms will increase the quality of care for patients where quality is understood not only with respect to patient outcomes but also to the cost of achieving those outcomes.

Within Future Health it is recognised that the current hospital-centric model of care cannot deliver the quality of care required at a price which the State can afford. For this reason the Government is determined to create a **new integrated model of care/preferred health system** that treats patients at the lowest level of complexity that is safe, timely and as efficient and as close to home as possible.

The focus of this strategy is to reduce the numbers of people being cared for in the acute hospital sector, with a particular emphasis on social and continuing care, which can be provided in a variety of settings such as the client’s own home, a health centre, community/day hospital, nursing home or hospice.

At the Biennial National Social Housing Conference, 18th September 2013, Assistant National Director for Older Persons HSE set out the HSE’s vision of “Ideal Outcomes for Older People in Ireland.”

The purpose of this section of the report is to examine the extent to which the HSE’s Vision for Older Person Care, public policy, aims and objectives are aligned and are currently being met and the implications for the long-term residential care sector.
3.2 Main Public Policy Objectives & Instruments of Public Policy

3.2.1 Provide care in the home or community for as long as possible

At a national level, the Government is committed to reforming Ireland’s model of delivering healthcare, so that more care is delivered in the community, reducing the numbers of people being cared for in the acute hospital sector.

As part of the Government’s strategy it is envisaged that the first point of contact for a person needing healthcare will be primary care, which it is estimated should meet 90-95% of people’s health and personal social care needs18.

In tandem with this, it is a stated policy objective of the Department of Health and the HSE to support older people to remain living in their own home as long as possible, and where this is no longer possible, to provide quality long term residential care.

The policy of supporting older people to remain living and be cared for at home is a policy that has been pursued by successive governments, and is increasing in urgency given the realisation on the part of the Department of Health and HSE that due to current demographic trends and budgetary pressure, it will not be economically viable to maintain 4.5% of people over 65 years of age in long stay care into the future.

Notwithstanding Government objectives, as previous sections and international research have demonstrated, – due to the age profile of the population, care needs and dependency levels – there will be increasing demand for long-term residential care.

The demographic evidence is clear; in Ireland this demand is increasing and will continue to do so over the coming decades.

The basic requirement in enabling older people to continue to live in their own homes or in some form of community-based setting, before moving into long-term residential care, is the availability of appropriate housing and the ancillary care to support the older person in that housing for as long as possible.

In Ireland, few alternative or appropriate options to the nursing home model of care exist, for older people to remain living in their home. In this regard, the Irish situation contrasts sharply with that in the US, UK, Australia and other European countries where a range of alternate models to nursing home care including (1) housing with care (2) sheltered housing (3) hostels; and (4) specialist care units are fully integrated components of the long-term care landscape.

The Review of the Long Term Working Group – “Long Term Care Report” found that for many older people there has been little opportunity to avail of intermediate care and the lack of appropriate facilities and care/ support in their own homes is frequently cited as a contributory reason why people may move to residential care or stay in hospital.

The gaps in intermediate care and other care supports remain, and in order to meet the objectives set out above, the HSE has acknowledged that Government resources will have to be directed towards the funding of home help and home care packages and to put in place complimentary models of care to support the delivery of long stay residential care including: expansion of Clinical Care Programme for management of frail elderly in the Acute Hospital Setting, Intermediate Care, Step Down Care, Enhanced Home Care Packages, Supported Community Living and maximising the use of telecare and telemedicine.

Nursing homes have a key role to play in this evolving continuum of care model, both in terms of the traditional care which they provide, but also by looking to increase the level and types of other community based care and supports to our older population.

Even if Government is successful in its efforts to improve the supply of and provision of community led supports and services for elderly people, there will remain, due to our ageing population, a requirement for substantial increases in the provision of long-term care in every setting, Wren et al. (2012).

3.2.2 Consistent quality of care irrespective of provider

In July 2009, HIQA assumed responsibility for the registration and inspection of residential care services for older people in the public, private and voluntary sectors in Ireland.

As part of its role, HIQA discharges three key responsibilities

- Ensuring that nursing homes are complying with the requirements and conditions of their registration

- Ensuring that nursing homes have systems in place to safeguard the welfare of service users

- Providing information and evidence of both good practice and areas identified for improvement

A review of the inspection process for residential care settings for older people as managed by HIQA was undertaken by Prospectus Strategy Consultants on behalf of NHI in 2009.

The review found that the "the regulatory framework is generally seen by all stakeholders as a most positive step forward in ensuring high quality services are delivered on a consistent basis across Ireland and is supported by Nursing Homes Ireland"19.

The review identified a number of strengths and weaknesses in the existing process and HIQA reporting framework, which are set out below:

**Strengths**

- The methodology offers a more comprehensive and balanced approach in comparison to that previously overseen by the HSE.

- The methodology has also offered an increased prospect of a more consistent and objective approach to assess compliance.

- The process encourages operators to examine routinely their day-to-day service delivered and forces one to constantly identify areas for potential improvement.

- An effort has been made by HIQA to recognise good practice within the nursing home sector.

- The HIQA inspection process has contributed to the raising of standards and is far more resident focused than previous inspection frameworks.

19 Long Term Care Report, January 2008
20 High Level Review of the HIQA Inspection Process for Residential Care Settings for Older People July 2010
Weaknesses

- The current process does not promote sufficient levels of objectivity. This stems from a lack of specificity within the standards and regulations.
- Lack of consistency in implementation.
- Significant variation in terms of experience and competency amongst HIQA inspectors. In many cases inspectors were found to be extremely competent, however some respondents indicated that they felt some inspectors were on a “learning curve” and showed a lack of awareness of the challenges being faced by those in the industry.
- Respondents felt that there was an imbalance in terms of reporting and the completion of key deliverables. Respondents wish to request the establishment of precise timelines for (a) the return of draft inspection reports and (b) the publication of inspection reports. In addition, a further key deadline that should be formalised is that involving the period of time HIQA requires to finalise a registration decision. The two-way communication process between provider and inspector should be improved to ensure that nursing home staff have sufficient opportunity to discuss the initial findings of the inspection and to ensure that where feedback is provided by nursing home staff/operators that this is given due consideration.
- A key finding from the review was the high proportion of respondents who are not satisfied that the regulations and national standards are being interpreted and applied consistently across Ireland. This remains a recurring theme and has been raised as an on-going concern during the course of this review.
- The administrative requirements associated with registration and inspection processes are in need of immediate review. The primary source of discontent in relation to this derives from the volume of paperwork and level of duplication.

As outlined previously, the work of HIQA is guided by the National Quality Standards for Residential Care Settings for Older People in Ireland, which promotes best practice in residential care settings for older people and to improve the quality of life of residents in these settings. There are 32 standards under 7 groupings- Rights, Protection, Health and Social Needs, Quality of Life, Staffing, The Care Environment and Governance and Management.

While all homes must adhere to and meet the standards as set out, HIQA provided a derogation until July 2015 for all homes to meet the physical environment standard (25B).

Despite HIQA issuing a Regulatory Notice (RN001) on the Premises & Physical Environment in March 2013, there remains much uncertainty on the part of some nursing home providers as to whether or not HIQA will extend the period to nursing homes to comply with the criteria beyond the July 2015 deadline.

This confusion has arisen as a result of comments of the Minister for Older People, Kathleen Lynch’s claim that the Department of Health “can negotiate” with HIQA in respect of the 2015 deadline for the physical environment regulatory requirements. These comments were made on foot of a viability review of the public nursing home sector which suggests that only ten of the 115 public nursing homes are in a position to meet the 2015 deadline.21

However, this was contradicted by the Health Information and Quality Authority (HIQA) which “has pointed out that HIQA has said it remains fully committed to implementation of the 2015 National Quality Standards deadline and will not entertain negotiation in respect of issues surrounding compliance. Furthermore the HIQA has gone on to state that “HIQA apply the regulations equally to all nursing homes be they public, private or voluntary.”

This uncertainty needs to be addressed and dealt with as a matter of urgency and the application of the standards needs to be applied consistently across all providers (public private and voluntary).

The impact in terms of overall bed provision will be significant and has the potential to result in a substantial decrease in the number of public beds. This will place additional pressure and strain on the private nursing home sector (which will be unable to meet the shortfalls in capacity) and will also place increasing demands on the acute hospital sector.

NHI in a submission to HIQA (July 2012) warned that the potential loss of capacity from the sector to ensure compliance with standard 25B will have a negative impact on supply at a time when demand for residential care beds is expected to continue to increase.

One of the key objectives of HIQA is, through the enforcement of the regulations and standards, to protect the vulnerable and weak. This is in line with Government policy, principles and legislation. The standards acknowledge the needs of the individual person at the centre of care, and set a bar for service providers, in this instance, nursing home operators, to deliver a person-centred and comprehensive service that promotes health, well-being and quality of life.

However, a key weakness in terms of the provision of the entire range of older people services is the absence of regulation of or standards for assurance in other older care settings, primarily homecare.

As has been pointed out by the Irish Medical Organisation “the propensity for institutional abuse is also possible in the community care, and can take form in poor care standards, lack of positive response to complex needs, rigid routines, inadequate staffing and an insufficient knowledge base of the care provider”. The IMO called on these issues to be addressed by HIQA to ensure that quality and consistency are achieved in the delivery of Home Care Packages.

Future Health goes one step further and proposes that primary legislation and resources will be required to introduce a statutory regulation system for the home care sector.

22 http://www.irishhealth.com/article.html?id=22425
3.2.3 An Integrated Care Model

At the centre of current Government Policy - Future Health - is significant service reform which will move Ireland away from the current hospital-centric model of care towards a new model of integrated care which treats patients at the lowest level of complexity that is safe, timely, efficient, and as close to home as possible.

The move towards a fully integrated health system is a driven by a desire to deliver better service, better outcomes and better value for taxpayers by shifting the delivery of appropriate care to day cases, increasing the volume and range of community based services, and enabling acute hospitals to concentrate on specialist care.

In health systems that support the integrated model of care, international evidence suggests, that patients can get in, through and out of the health service more quickly. They spend less time in hospital and more time being cared for in their communities or in their own homes. They are more likely to receive the type and quality of care they need, when they need it, in the most appropriate setting and from the most appropriate health care professional.

Nursing homes and long-term residential care operators have a key role to play in this new integrated care model. Nursing homes have a proven track record – registered by HIQA and have experience operating in a regulated market. Core to the HSE’s older care policy is the provision of care in appropriate settings along a continuum from home and community based services through acute intervention to long term residential care with older person’s needs and preference being central to decision making.

However, as with the development of an integrated care model, much work needs to be completed before a fully integrated model of older persons care is established in Ireland.

This is likely to be developed under the auspices of a ten year action plan for the provision of all services for older persons including community, clinical programme for frail elderly and alternative models of care, which the HSE has asked the Department of Health to undertake.

As part of this process it is envisaged that alternative models of care including public private partnerships, enhanced community support, telemedicine/ telecare initiatives, community housing schemes will be examined and where relevant developed. A full suite of services will be developed based on the principle of “money following the patient”.

3.2.4 Patient Centred Care

One of the guiding principles of the 2001 National Health Strategy was that of a patient-centred healthcare system. In the Strategy, “responsive and appropriate care delivery” was cited as a national goal. The aim was “to gear the health system to respond appropriately and adequately to the needs of individuals and families”.

Twelve years later, Future Health proposes that the design of the future single-tier health system will be guided by a number of core principles including:

- Patient-centredness – The system should be responsive to patient’s needs, providing timely, proactive, continuous care which takes account, where possible, of the individual’s needs and preferences.

Future Health proposes that in the future funding is much more closely aligned to the needs and outcomes of individuals than is presently the case.

The Fair Deal is, as currently configured, the most complete money follows the patient model in operation within the Irish health service.

The National Standards for Safer Better Healthcare, which were launched in June 2012, aim to put patients at the heart of the care process, with a major focus on dignity, respect, effectiveness, efficiency and safety. However, this does not operate on any statutory basis.

3.2.5 Providing security and certainty to members of society requiring long-term residential care

The Nursing Home Support Scheme (NHSS/ Fair Deal) was established with the objective of providing financial support for people assessed as requiring long-term care. Its fundamental purpose as committed by Dept of Health is to make long-term nursing home care, accessible, affordable and anxiety free.

In general the NHSS has met this objective of providing security and certainty to those cohorts of the population requiring long-term residential care. The scheme is now firmly established as a key component of the Irish health system and helps supports the needs of those people (and their families) requiring long-term care.

The Fair Deal has, in the main, ensured that nursing home care is accessible, affordable and anxiety free and has gone some way to removing the financial worry for older people that had been associated with accessing nursing home care.

According to the National Service Plan 2014, it is estimated that the NHSS will support approximately 22,016 people in long term residential care. This means that approximately 85% of all nursing home beds are occupied by residents who are funded through the Fair Deal.

However, the popularity of the scheme due to our ageing population, combined with other factors such as increasing nursing home costs and no obvious decrease in the average length of stay is leading to cost pressures in the operation of the NHSS.

The success of the Fair Deal led the Minister and HSE to announce in 2011 that the Fair Deal Scheme’s funding was at a level whereby it would not be sufficient to provide State Support to all those who successfully applied for it.

As a consequence, while new applications continued to be processed, successful applicants were placed on a waiting list until funding became available. It is estimated that there are currently 500 people waiting for a nursing home place in Ireland.

A report in the Irish Times, 29th July 2013, indicated that according to internal Department of Health Documents, more than 2,000 patients will be waiting for a nursing home place by the end of the year, over double current numbers. The report went on to note, that “the waiting time for allocation to a nursing home place under the Fair Deal scheme is set to rise to 17 weeks.

At the end of September there were 523 people on the scheme’s national placement list and a further 745 people, approved under the scheme, but not yet in payment. This has implications in terms of waiting time to secure a long-term residential place, with waiting times currently running at between 6-7 weeks.
Cost and Sustainability of the Fair Deal

Within the following table, we have presented details of the number of nursing home residents funded under the Fair Deal. This is based on HSE performance data, at the end of September 2013 and the National Service Plan 2014.

As can be seen, there were 20,962 nursing home residents in NHSS funded beds. This is broken down by 5,147 residents in public beds and 15,815 in private nursing home beds. A further 1,826 beds were deemed subvention, contract, section 39 beds. The National Service Plan expects a projected outturn of 23,000 people for 2013, of which 5,390 will be in public long stay beds.

<table>
<thead>
<tr>
<th>Table 14 – NHSS Funded Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NHSS Public Beds</strong></td>
</tr>
<tr>
<td>------------------------</td>
</tr>
<tr>
<td>Total – September 2013</td>
</tr>
<tr>
<td>Total 2013 (Est.)</td>
</tr>
<tr>
<td>Av. NHHS Rate</td>
</tr>
</tbody>
</table>

The current published average weekly cost estimates across all homes is €888 for private beds and €1,404 for public nursing home beds (based on information contained in a report in the Irish Times24).

Taking these figures, less the average weekly contribution to the State by each person supported by the Fair Deal, estimated to be €28025, one arrives at a net cost to the State of €75026 per resident per week.

The weekly cost of caring for someone within the acute hospital sector has been estimated at c.€6,000. This means that for every 1,000 of the population who cannot access nursing home care and therefore must remain in acute care, the State is incurring a per annum cost of €6m. The comparable cost of accommodating the very same population in appropriate private nursing home care is €750,000. The cost savings and benefits to the Exchequer, on an annualised basis, are enormous (estimated €273m).

The HSE Service Plan 2013 budget allocation for the Fair Deal was €998m and spend allocated for long-term residential care in the 2013 Revised Estimates for Public Service was €974m.

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25 Minister For Health James Reilly, Dail Eireann 4th July 2013
26 HSE, September 2013
4. Matching Supply & Demand – the need for sustainable supply

4.1 Introduction

This section of the report examines in detail current trends in the supply and demand for long-term residential beds.

This section concludes with an assessment of the future supply and demand scenario and the implications in terms of future capacity requirements within the sector.

As outlined in previous sections, demand for and the supply of long-term residential care is influenced by a number of factors (illustrated graphically below).

What is critical to understand however, is that in the current market, an increase in demand for nursing home beds does not necessarily or immediately translate into a corresponding increase in supply.

This is primarily because the nature of the current funding relationship means that there is a single near monopoly purchaser of long term residential care, through the operation of the Fair Deal, which effectively operates a cap on the fees paid. This in turn acts as a disincentive to develop new supply, while the approach adopted also adversely impacts on the sustainability of existing supply.

While the need to manage public finances is well understood, this effective cap on supply is destined to create significant additional problems for the state in its efforts both to provide for future long term care and to manage acute capacity within the wider system.

4.2 Supply - Current and Future Supply

4.2.1 Current supply Ireland in a European Context

When benchmarked against comparator countries and as illustrated in the following table, Ireland has one of the lowest numbers of long-term beds per 1,000 of the population aged over 65.

Only Italy, with 16 per 1,000 and Spain with 21.3 per 1,000 have fewer long-term residential beds.

At the higher end of the scale, Sweden, Switzerland, Belgium and Austria all have in excess of 70 long-term beds per 1,000 of the 65+ population.

Table 15 – Supply of Long-Term Residential beds per 1000 of the 65+ population

<table>
<thead>
<tr>
<th>Population (millions)</th>
<th>No 65+</th>
<th>% of Population</th>
<th>LT Beds Per 1,000 of 65+ population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>8.4</td>
<td>1.5</td>
<td>17.3</td>
</tr>
<tr>
<td>Belgium</td>
<td>10.8</td>
<td>1.84</td>
<td>17.0</td>
</tr>
<tr>
<td>France</td>
<td>65.0</td>
<td>10.9</td>
<td>16.9</td>
</tr>
<tr>
<td>Germany</td>
<td>81.8</td>
<td>16.9</td>
<td>20.6</td>
</tr>
<tr>
<td>Ireland</td>
<td>4.5</td>
<td>0.53</td>
<td>11.4</td>
</tr>
<tr>
<td>Italy</td>
<td>60.3</td>
<td>12.2</td>
<td>20.4</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>16.6</td>
<td>2.5</td>
<td>15.2</td>
</tr>
<tr>
<td>Norway</td>
<td>4.9</td>
<td>0.74</td>
<td>14.8</td>
</tr>
<tr>
<td>Portugal</td>
<td>10.6</td>
<td>1.8</td>
<td>17.7</td>
</tr>
<tr>
<td>Spain</td>
<td>47.0</td>
<td>7.9</td>
<td>17.2</td>
</tr>
<tr>
<td>Sweden</td>
<td>9.4</td>
<td>1.7</td>
<td>18.0</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7.8</td>
<td>1.3</td>
<td>17.3</td>
</tr>
<tr>
<td>UK</td>
<td>61.0</td>
<td>9.8</td>
<td>15.8</td>
</tr>
</tbody>
</table>

Source: OECD (2011), CSO (2011)
As outlined in the following table, Ireland is similar to Spain and the UK in that private nursing home operators are the main providers of residential care. The provision by the public sector of long-term care is dominant in countries with a strong social model, e.g., Norway and Sweden.

Not-for-profit operators are present in most countries but exist as the main providers of residential care in Germany, Italy, Austria and France. Typically these providers are affiliated to religious and voluntary groups.

### Table 16 – Percentage of Providers by Status

<table>
<thead>
<tr>
<th>Country</th>
<th>Public</th>
<th>Not-for-Profit</th>
<th>Private</th>
<th>LT Beds Per 1,000 of 65+ population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>53</td>
<td>26</td>
<td>21</td>
<td>70</td>
</tr>
<tr>
<td>Belgium</td>
<td>25</td>
<td>30</td>
<td>45</td>
<td>71.1</td>
</tr>
<tr>
<td>France</td>
<td>23</td>
<td>55</td>
<td>22</td>
<td>52</td>
</tr>
<tr>
<td>Germany</td>
<td>6</td>
<td>55</td>
<td>39</td>
<td>48</td>
</tr>
<tr>
<td>Ireland</td>
<td>21</td>
<td>11</td>
<td>67</td>
<td>47</td>
</tr>
<tr>
<td>Italy</td>
<td>30</td>
<td>50</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Norway</td>
<td>100</td>
<td>0</td>
<td>20</td>
<td>69.5</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>0</td>
<td>80</td>
<td>20</td>
<td>n/a</td>
</tr>
<tr>
<td>Portugal</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>n/a</td>
</tr>
<tr>
<td>Spain</td>
<td>24</td>
<td>24</td>
<td>53</td>
<td>21.3</td>
</tr>
<tr>
<td>Sweden</td>
<td>75</td>
<td>10</td>
<td>15</td>
<td>84.4</td>
</tr>
<tr>
<td>Switzerland</td>
<td>30</td>
<td>30</td>
<td>40</td>
<td>72</td>
</tr>
<tr>
<td>UK</td>
<td>10</td>
<td>14</td>
<td>76</td>
<td>56</td>
</tr>
</tbody>
</table>

#### 4.2.2 Trends in Current Supply

**Additions:** Since the scheme of capital incentives in Ireland to support the development of new nursing homes was withdrawn, the level of NET additions of residential LTC beds has fallen considerably below long-term requirements (projected requirement of NET 1,000 additional beds annually).

Over the last three years the level of net additions has largely been driven by private providers, but even here the level of additions has fallen to approximately 339 per year on average. Moreover this has largely come in the form of incremental additions to existing facilities rather than entirely new nursing home developments.

In discussion with banks and other funders, what came across clearly is their positive perception of the industry. However, their willingness to invest in the sector is heavily tempered by the ability of potential operators to develop, register and profitably operate new nursing home developments given a near monopoly purchaser of service and limited ability to recover costs from the provision of additional services or enhanced offerings.

Given these factors, it will remain a challenge to source funding for the majority of new nursing home projects, with proven operators who have significant equity to bring to any new project, reluctant to commit funds to projects given the levels of funding uncertainty that currently exist.

**Reductions:** Not only has the rate of private nursing home bed additions fallen significantly, there have been net decreases in the number of voluntary and public beds throughout the sector.

While these sectors together represent approximately 25% of overall capacity, this percentage has fallen considerably in recent years.

This is a situation that is likely to be exacerbated even further given the need for significant capital investment to maintain the existing provision and ensure that it is compliant with HIQA Regulations and Standards.

In the voluntary sector, the requirement to fund significant additional capital works to bring existing capacity up to the physical environment standard is giving rise to serious concern amongst operators both as to the ability and appropriateness of their continuing participation in the market.

The Department of Health and HSE have stated as a policy objective, a desire to provide approximately 20% of overall long-term residential bed capacity.

What is less clear is the extent to which this is a realistic or achievable objective, given the significant financial and operational challenges that exist in terms of bringing some of the current capacity up to HIQA’s physical environment standard by 2015.

**Occupancy:** Across the entire nursing home sector, newly developed and well-operated nursing homes in areas of high demand operate at near full occupancy. Not all nursing homes fit into such categories however and there are some homes which by reason of their location or their configuration do not enjoy the strong occupancy levels achieved by other homes.

Unless significant new additions are made in areas of high-demand, it will be difficult to raise the level of effective supply – and this will require some form of targeted capital support.
4.2.3 Estimates of Future Supply

For the purpose of our modelling we have developed a number of different supply scenarios which project the number of additions to long term care bed (LTC) numbers over the next number of years. These scenarios all use as their starting point the current number of nursing beds registered with HIQA as at October 2013.

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private Beds</strong></td>
<td>Continued growth in net bed additions in line with growth over last 3 yrs. (Av 339/year)</td>
<td>Slowing growth in net bed additions as operators struggle to achieve 25% equity required or secure suitable sites</td>
</tr>
<tr>
<td><strong>Voluntary Beds</strong></td>
<td>Continued reduction in bed numbers in response to challenge of meeting HIQA certification</td>
<td>Strong reduction in bed numbers as voluntary operators exit market</td>
</tr>
<tr>
<td><strong>Public Beds</strong></td>
<td>No change in the number of public beds in system, despite very obvious challenges of existing stock meeting HIQA Standard 25.</td>
<td>Some reduction - challenge of meeting challenges meeting HIQA standards</td>
</tr>
</tbody>
</table>

The key differences in the different supply scenarios relate to the

- How the supply of private beds is flexed.
- How the supply of public beds is flexed.
- How the supply of voluntary beds is flexed.
- What assumptions are used as regards occupancy levels.

Based on our experience, the way the sector has developed over the last number of years and in the absence, at this point in time, of a comprehensive strategy for Long Term Care Bed provision, we believe that the only appropriate scenario to use is **Scenario 1**
4.3 Demand – Current & Projected Demand

4.3.1 Basis for demand projections

Demand for residential long term care is a function of many inter-related factors (as detailed above). Age distribution and population levels also interact with issues such as wider longer term care models, wealth, population distribution, non-residential alternatives etc. in deriving demand for residential care.

Even so, the growth in the absolute level of population and the increasing age and acuity of this population is the overwhelming current and future driver of demand for residential LTC facilities.

A feature of this area is the multitude of overlapping information, which is often not comparable or consistent. For the purposes of our modeling we have used three main data sources for the key demographic assumptions.

- Towards the Development of a Predictive Model of Long-Term Care Demand For Northern Ireland and the Republic of Ireland, October 2012.

4.3.2 Population – Growing and Ageing

There are a number of key points that can be taken from the Table below – chief amongst them

- The Irish population is ageing and is doing so relatively quickly.
- The cohorts which require the highest level of care are growing the quickest (85+) and this growth is forecast to increase substantially into the future.
- The benchmark 4.5% of 65+ who will require residential long term care will grow significantly.

<table>
<thead>
<tr>
<th>Age</th>
<th>2011</th>
<th>2021</th>
<th>% Growth (2011-20221)</th>
<th>2031</th>
<th>2041</th>
<th>2046</th>
<th>% Growth (2011-2046)</th>
</tr>
</thead>
<tbody>
<tr>
<td>65-69</td>
<td>172.1</td>
<td>225.6</td>
<td>31%</td>
<td>281.2</td>
<td>333.2</td>
<td>354.6</td>
<td>106%</td>
</tr>
<tr>
<td>70-74</td>
<td>130.1</td>
<td>191.6</td>
<td>47%</td>
<td>238.3</td>
<td>291.1</td>
<td>318.7</td>
<td>145%</td>
</tr>
<tr>
<td>75-79</td>
<td>101.4</td>
<td>139.5</td>
<td>38%</td>
<td>192.1</td>
<td>245.6</td>
<td>269.3</td>
<td>166%</td>
</tr>
<tr>
<td>80-84</td>
<td>69.8</td>
<td>90.1</td>
<td>29%</td>
<td>143.9</td>
<td>187.4</td>
<td>213.8</td>
<td>206%</td>
</tr>
<tr>
<td>85+</td>
<td>58.2</td>
<td>85.0</td>
<td>46%</td>
<td>135.5</td>
<td>219.0</td>
<td>262.9</td>
<td>352%</td>
</tr>
<tr>
<td>Total 65+</td>
<td>531.69</td>
<td>731.9</td>
<td>38%</td>
<td>991.0</td>
<td>1,276.3</td>
<td>1,419.3</td>
<td>167%</td>
</tr>
<tr>
<td>% of Pop</td>
<td>11.6%</td>
<td>14.9%</td>
<td></td>
<td>18.7%</td>
<td>22.4%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>4.5%</td>
<td>23,920</td>
<td>32,930</td>
<td></td>
<td>44,590</td>
<td>57,430</td>
<td>63,870</td>
<td></td>
</tr>
</tbody>
</table>
4.3.3 Population – Ageing Population – Increasing Care Requirements

A key element in the overall modelling process is consideration of the total population, but specifically the split in the population into the different 65+ age categories given the significant increases that occur in the older age cohorts for long-term residential care.

We have based our aged related utilisation projections on those used by Wren in the 2009 ESRI Report and “Towards the Development of a Predictive Model of Long-Term Care Demand For Northern Ireland and the Republic of Ireland” (Oct. 2012).

These provide a very granular basis for projecting demand/need based on individual age cohorts. CARDI show 85+ broken into two categories - 85-89 at 17% and 90+ at 28.9%. We have prepared a weighted averaged of these at 22.29% as a basis for projecting the 85+ population by 2021.

When considered in the context of our ageing population, what the table below importantly demonstrates is that the requirement for nursing home care rises exponentially with age.

The substantial increase in the need for long-term care for those aged 85+ at 22.29% should be noted.

Table 19 – Long-term care requirements per category of population

<table>
<thead>
<tr>
<th>Age</th>
<th>% of each age group requiring long term care</th>
</tr>
</thead>
<tbody>
<tr>
<td>65-69</td>
<td>0.70 %</td>
</tr>
<tr>
<td>70-74</td>
<td>1.50 %</td>
</tr>
<tr>
<td>75-79</td>
<td>3.70 %</td>
</tr>
<tr>
<td>80-84</td>
<td>8.40 %</td>
</tr>
<tr>
<td>85+</td>
<td>22.29 %</td>
</tr>
</tbody>
</table>

One of the principal reasons for older people requiring residential care is related to long-term physical or cognitive disability. Reports of physical or cognitive disability increase with age. In Ireland approximately 1 in 5 people in the 65 to 69 age group report having a disability with this figure increasing to approximately 60% for people aged 85 and older. In addition the oldest old (those aged 85 years and older) are more likely to report having more than one long-lasting condition or activity limitation (CSO 2007).

4.3.4 Future demand projections

Combining population and long term care requirements by age bracket produces the following projections associated with the demand for long term care. This is based on extrapolation of CSO data and key assumptions presented in the CARDI/ERSI Report.

The shortfall in LTC beds set out below is calculated based on current bed supply remaining constant. The forecasts and estimates prepared by BDO and referred to later in this document, assume overall net additions in overall capacity between now and 2021.

- Over the short term from 2012 to 2021 over 9,500 additional LTC beds will be required.
- The requirement for the 85+ age bracket alone will be 5,500 new LTC beds.
- By 2021 (7 years’ time, the 85+ population will generate demand for 18,955 long-term residential beds) this equates to 70% of the current provision and does not take into consideration demand to be generated by other cohorts of the population.
- The demand generated by those aged 80-84 will equate to 28% of the current provision.
- Based on current demographic trends and nursing home utilisation patterns, there will only be sufficient capacity to meet the long-term residential care needs of the population aged 80 and over.
4.4 Supply vs Demand

As outlined above, as part of our analysis, we prepared a number of ‘Supply Scenarios’ which, in this section, we interface with our demand projections to identify future capacity shortfalls/requirements.

As illustrated in the diagram opposite, we are starting from a position where we believe that the Need for LTC beds is already outstripping Supply.

In all scenarios, even where we have assumed very large additions in new private beds, there remains a shortfall with demand for LTC beds being significantly greater than the supply of such beds. This is due to the following key assumptions:

– Notwithstanding aspirations, there is unlikely, based on international evidence, to be any significant reduction in the % of 65+ who require LTC below 4.5%,

– Given the significant increases forecast in the 85+ population, there will continue to be high levels of need for long term residential care that can only be provided by nursing homes,

– Public Sector – will struggle significantly to maintain existing with no new bed additions,

– Voluntary Sector will struggle to maintain existing bed numbers, and

– Private Sector will add beds but below the long-term requirement.
4.5 Shortfall projections

Under what we believe represents the most likely scenario, Scenario 1, we are projecting that without significant action on the part of Government and its agencies, there will be a significant shortfall in the supply of LTC beds by 2021. This assertion is based on the following assumptions:

- **Private bed** growth will not meet projected Demand/Need - large additions will require targeted capital support.

- The **Private system** will need to be incentivised to make significant capital investment in new homes.

- The **Public system** will need significant investment merely to maintain existing supply and considerably greater additional investment (€850m Action Plan) to meet commitments to provide 20% of overall beds in the market into the future.

- The ability to add additional capacity in the **public sector** is likely to be very restricted due to the limited availability of capital funding.

- The Aspiration to reduce the percentage of 65+ in LTC below 4.5% in the 'Medium Term' has existed since 2006. It is difficult to see how this is to be achieved in the absence of a clear Government Strategy.

- Significant growth in 85+ population and evidence that approximately 22.3% of this cohort have a need for long-term residential care.

Based on our analysis, and as illustrated in the following chart, we are forecasting a total shortfall of 4,208 in long-term residential care beds by 2016 and 7,986 by 2021. This equates to approximately 53 and 100 new nursing homes.

![Projected Shortfall – Bed Demand (Need) Vs Bed Supply](image)
5. Requirements for A Sustainable Nursing Home Sector

5.1 Key Determinants of a sustainable nursing home market

5.1.1 A Cohesive National Strategy

There is clear evidence to suggest that current Government Policy with regards to the provision of older persons care services is being driven only by financial considerations rather than with the objective of providing the most appropriate care for those that need it most.

“\text{"It will not be economically viable to maintain 4.5\% of people over 65 years of age in long-stay care into the future"} (\text{HSE, September 2013})

“The reality is that the funding available for services for older people is not increasing at the same rate as the population” (Minister Reilly, July 2013)

“The key challenge, and opportunity, will be to ensure that scarcer resources are carefully targeted to deliver services in the fairest, most efficient and effective way possible” (Minister Reilly, December 2013)

However, this short-term approach does not fundamentally address the compelling demographic, national and international evidence that demonstrates:

- Ireland has one of the lowest numbers of long-term beds per 1,000 of the population when benchmarked against comparator countries.

- Ireland is beginning to catch up with other European countries in terms of population ageing.

- The population of those aged 65+ has been increasing at a faster rate than that of our EU neighbours.

- The number of people in this age group is expected to more than double in the coming decades, with the greatest proportional increase in the 85+ group.

- The proportion of those aged 85+ in long stay care as a percentage of all those in long stay care has increased by 16\% during the period 2003 to 2012.

- Aspirations to reduce the percentage of the 65+ population requiring long-term residential care, below 4.5\%, goes against what has been achieved in other jurisdictions where much more developed continuum of care models exist

- In the absence of suitable alternative older care provision, reducing access to nursing homes, either by way of reducing funding available or through the implementation of waiting lists- will further heighten the demands on the acute hospital sector, and contribute to increasing the numbers of delayed discharges.

- A lack of investment in public bed provision, which now is in need of investment of €834m just to meet HIQA’s “physical environment standards “and a further investment of €850m if the State is to meet its objective of maintaining 20\% of the overall capacity in the sector.

- Efforts by the Government to move towards what is termed a “Preferred Health Service” will, if international experience is to be replicated, result in increasing the demand for long-term residential care and also formal home care.\text{[27]}

The lack of a clear policy and national strategy for the long-term care of our older population, combined with current uncertainty around future funding arrangements poses one of the biggest challenges to the long-term sustainability of the nursing home sector.

5.1.2 Ability to Fund and Invest in New & Existing Nursing Home Beds

The demographic evidence could not be clearer. The demand for nursing home care is now, in a number of locations, beginning to outstrip capacity.

The HSE National Operational Plan 2013 states “Based on population projections, there will be a significant national deficit of long stay beds by 2016”. This is supported by BDO’s own research which shows that by 2016, there is likely to be a shortfall of up to 4,208 beds.

The ability of the private and voluntary nursing home sector to make the investment which is now required to meet current and future capacity requirements is entirely dependent upon bank funding and equity investment.

In discussions with banks and other funders to nursing home projects, what came across clearly is that notwithstanding the favourable demographic factors and an overall positive perception of the industry, their willingness to invest in the sector is tempered by the significant influence and control the state exerts over the sector.

In particular concerns have been raised regarding the funding and future of the Fair Deal, and the current process by which the NTPF sets rates with individual operators.

Uncertainty with regard to the fees negotiated between the State and the nursing home operator undermines the confidence of financial institutions, equity investors and nursing home operators and has contributed to the slowdown in investment in the sector and as a consequence the number of new nursing home beds entering the market. Reductions in the budget for the Fair Deal and recent decisions to divert monies from the Fair Deal to support home care packages, can only further add to this uncertainty.

In order to fund new nursing home projects, our research has indicated that banks are actively seeking upwards of 30\% equity investment and short financing periods.

It is clear from our research that the process adopted by the NTPF in negotiating and setting Fair Deal rates with individual nursing home operators does not factor in capital costs or capital repayments. The current methodology is focussed on meeting the cost of care only.

As a result the financial returns available to nursing home operators and funders are not as attractive as are available in other sectors, and considerably below the 12\% proposed by Laing and Buisson as representing an acceptable return.

Securing funding for new projects is one issue, but should not be considered in isolation. Another important consideration is the ability...
and capacity of all nursing home operators to invest in and maintain the existing long-term residential bed provision.

Estimates from the HSE suggest that it will cost approximately €834m to maintain the existing provision of public long-term residential beds.

Capital investment is not just an issue for the public sector, the Annual Private Nursing Home Survey 2009/2010 highlighted the “onerous costs”, “capital costs” and “major structural redesign” that private and voluntary nursing home operators will face in complying and meeting HIQA requirements. This expenditure is on-going, but does not contribute to increasing the number of beds in the system and may in fact lead to reductions in bed numbers, as operators are forced to reduce overall capacity to meet standards in terms of room size, layout and occupancy.

This has serious implications in terms of the sustainability of the existing public bed provision, and the potential knock-on effects to both the private nursing home sector and acute hospital sector should overall bed provision be reduced.

As outlined above, the requirement for existing operators to fund 25% to 30% of any investment from their own reserves is of also of relevance where this investment is being made in existing nursing homes. These operators face the same funding challenges being experienced by operators looking to add new nursing home beds to the market.

Requirements to meet HIQA standards, in particular, those in relation to the Regulation 25 B “Physical Environment” have resulted in added cost and capital funding pressures being placed on existing operators to ensure that their homes meet these standards.

With continued downward pressure being exerted by the NTPF on the rates paid under the Fair Deal, banks, equity investors and operators remain reluctant to invest in the sector.

This is because the significant investment that is required to provide complex care to some of our most vulnerable members of society, meet strict regulatory requirements and generate a reasonable financial return is currently not available or recognised in the current NTPF negotiation process.

5.1.3 Ability to Recover Operating Costs

The Nursing Home Support Scheme (NHSS) provides financial support for long-term residential care services to include:

- Bed and board,
- Nursing and Personal care appropriate to the level of care needs of the person,
- Laundry service, and
- Basic aid and appliances necessary to assist a person with the activities of daily living.

Prior to the introduction of the NHSS, support for the cost of nursing home care was provided in the form of a subvention payment that was dependency linked, three rates of subvention were available. In January 2007, this was replaced by one “maximum” weekly rate of subvention of €300.

It is generally accepted that the Fair Deal has had a positive impact on the ability of those cohorts of our population, who have been assessed as having a requirement for long-term residential care to access this care.

However, some weaknesses have been identified and will need to be addressed as part of the Fair Deal Review currently underway.

There is currently a disconnect between the definition of Long Term Residential Care Services (LTRCS) under the NTPF deed of agreement and the HIQA National Quality Standards.

It is vital that provisions of the NTPF deed and the fees ‘negotiated’ with individual nursing home operators must be consistent with and reflect the demands placed on nursing home operators to meet and adhere to HIQA National Quality Standards.

The NHSS, when originally conceived was designed to meet the needs of residents with high and maximum dependency. In determining the price with nursing homes the NTPF did not use costing models to inform the process but rather relied on information supplied by nursing homes and its review of that information. It also based its decisions on general knowledge of the cost and price drivers in the sector.28

As outlined in previous sections of the report, there is clear evidence which demonstrates that the dependency levels of nursing home residents are increasing and that historic and existing data on dependency levels may underestimate actual dependency levels in the sector.

In keeping with the concept of “money follows the patient” and the rolling out of single assessment tool, a strong argument can now be made to move towards a framework of individualised payments, based on the needs/ dependency profile of the resident, which truly reflect the actual cost of meeting the care needs of each nursing home resident.

This would go some way to alleviating concerns which have been raised regarding the extent to which the Fair Deal does not fund the cost of some of the services and supports that would be considered as routine or which can contribute to the health and well-being of nursing home residents.

Furthermore, all nursing home operators incur significant capital costs that are not considered by the NTPF when negotiating the fee paid for care.

To this end, an evidence-based cost of care model that acknowledges the true cost of residential nursing home care should be developed which remunerates nursing home operators with a fair price for the care provided.

Within this framework, greater recognition and certainty needs to be given to operators, that the fee paid, will not only allow them to meet the true cost of an individual’s care needs, but will ensure that they can fulfil national standards requirements and continue to invest in the provision of high quality nursing home beds in the future, while at the same time generate a reasonable return on investment.

5.1.4 Affordability & Sustainability – Role and Involvement of Government

The Health Services, National Service Plan 2014 which was launched on the 18th of December 2013 notes that “the Health Service in Ireland is facing the most severe financial challenge in 2014 resulting from a reduction to its funding base and a significant additional savings target being required. Budget 2014 means that the Health Service will have an overall gross Vote reduction of €272m and a savings target of €619m for 2014. This challenge comes at a time when the demand for health services is increasing every year, which in turn is driving costs upwards”.

28 Report of the Controller and Auditor General 2010
The financial challenges facing the health service have been well documented over recent months, and have led the Government to state that the level of funding for older people services is not matching population growth, while at the same time pointing out that it will not be economically viable to maintain 4.5% of people over 65 years of age in long-stay care into the future.

Recognised the increasing demands being placed on the health service, at the launch of Health in Ireland: Key Trends (19th December 2013), Minister Reilly noted “in an economic climate where resources will be severely constrained, improved efficiency, effectiveness and equity at all levels of the health services will be essential in managing these demands”.

There are two key factors that are likely to play a key role in determining and influencing the continued role and involvement of the Government in the long-term residential care sector.

At an operational level, one must consider the cost of the Fair Deal Scheme. As outlined previously, the HSE Service Plan 2013 budget allocation for the Fair Deal was €998m and spend allocated for long-term residential care in the 2013 Revised Estimates for Public Service was €974m.

Based on our estimates and future population projections, we have estimated that the annual cost of the funding the Fair Deal, based on the current approach, will reach €1.20bn by 2021.

The figures above exclude the capital costs and investment required (€834m) to get the current stock of public beds HIQA compliant with the physical environment standard (25B), or the estimated cost of (€850m) if the Government is to maintain 20% of the overall nursing home bed provision.

Specifically with regard to investment in older peoples services the 2014 National Service Plan, states that there will be no new additional resources, in 2014, in order to meet the challenge of the needs of the increasing ageing population. The question that must therefore be asked is where will the money come from to meet the capital funding requirements set out above?

The Service Plan states that during 2014, “the priority for services for older people will be the development of an integrated model of care with a strong emphasis on home care and other community support services as well as intermediate and rehabilitation services, in order to avoid hospital admission or, where acute care is required, to support early discharge through appropriate and timely services, while maximising access to appropriate quality long term residential care when it becomes necessary. Our intention is to maximise the potential of older people, their families and local communities to maintain people in their own homes and communities within a sustainable model based on the principles of ‘money follows the patient’”.

While recognising the financial difficulties facing the state, and notwithstanding the ambitions set out in the Service Plan, the demographic and international evidence is clear. There is increasing demand and need, in Ireland, for long-term residential care being generated by those cohorts of the population whose care needs can only be met in a long-term residential care setting.

Proposals to divert money from the NHSS to home care packages and other community facilities will as acknowledged result in increased waiting times for residential care, but also add to increasing demand being placed on the acute hospital sector adding further to the numbers of delayed discharges.

Current estimates suggest that there are in the region of 685 ‘delayed discharge’ patients occupying acute hospital beds around the country (August 2013). These patients have completed their hospital care and are fit to be discharged, but their discharge has been delayed due to a lack of long-term residential and other community care facilities to cater for them. It is estimated that approximately 90% of these are elderly patients over 65.

The HSE’s own figures estimate the cost of a hospital stay per night at €800-€900 amounting to a conservative total cost of at least €540,000 each night the 685 patients remain in hospital. This equates to approximately 720 weeks of nursing home care.

Private nursing home care provides a more cost effective and appropriate form of care for these patients and if used effectively can result in significant cost savings for the HSE and Department of Health.

It is clear that the Government will be under significant financial pressure to maintain, let alone improve existing older persons care services. In light of these financial challenges, the question of efficiency and value for money, as highlighted by Minister Reilly, needs to be also addressed.

It is recognised that the care requirements and dependency levels of some residents in some public nursing home may be higher than those of residents in private homes. However, should or can the State continue to afford to pay between 58% and 103% more for care provided by public homes versus that provided by private nursing home operators.

Secondly in light of the significant capital investment required to maintain and grow public bed provision at a time of straitened financial pressure is this an appropriate use of scarce public resources or should Government be looking at alternative models (Public Private Partnerships, Joint Ventures or incentivising the private sector) for meeting future long-term residential bed requirements.
6. Recommendations - Public Policy which will sustain and improve Aged Care

6.1 Overview of changes being advocated

The challenges created as a result of current demographic trends and an ageing population can no longer be ignored. The time for action is now.

As set out below, there will be serious implications for the State, policy makers, other key stakeholders and the population in general if the issue of increasing demand for long-term residential care is not addressed.

- Nursing home care provides a more appropriate and cost effective form of care, not only for those in our population that need it most, but also for many people currently cared for within the acute hospital system. Deficiencies in long-term residential care supply contribute to delays in discharging people from acute hospital beds, resulting in increased delayed discharges and contributing to the situation of over-crowding which is prevalent throughout accident and emergency departments. This has knock on effects throughout the acute hospital and wider healthcare sector.

- The level of private sector investment required to provide the number of new nursing home beds needed by our ageing population will not happen unless greater clarity is provided in relation to the funding and financing of long-term care.

- Given the HSE’s own cost estimates, it is highly unlikely that the State will be in a position to fund the cost of not only maintaining the existing provision of public nursing home beds, let alone maintain its 20% share of total supply in the future. This will result in substantial shortfalls in nursing home beds relative to market need. At a time of straitened financial circumstances and given the estimates above, the question that must be asked, is this an appropriate use of scarce public resources?

- Further falls in current nursing home bed supply are inevitable if the deadline for meeting HIQA Standard 25 on the physical environment is to be met. This has drastic implications for overall nursing home bed provision, with figures from the HSE suggesting that it could result in the loss of 3,000 public beds alone. The private and voluntary nursing home sector will not have the capacity or ability, in the short-term, to make up this shortfall.

- It will therefore fall back on families or the acute hospital sector to meet the care needs of those urgently requiring but unable to access appropriate nursing home care. This has significant socio-economic and financial cost implications.

- There will always be a cohort of the population (particularly those aged 85+) whose care needs can only be met in a long-term residential care setting. Within Ireland this cohort of the population is growing rapidly. Domiciliary/ home care (which is currently unregulated) is not always appropriate or suitable to meeting the care needs of this population. A sustainable and viable nursing home sector has a key role to play in developing this strategy and offers a real solution to the challenges created due to an ageing population. Nursing home operators must be afforded the opportunity to shape this strategy.

At a minimum, this strategy must:

- Provide clarity on how demographic changes to be addressed.
- Achieve consensus on likely shortfall in beds and how this is to be met.
- Identify the role of public and private operators.
- Define alternative and complimentary models of care.
- Role of nursing home in the continuum of care model.

Inaction and delays in addressing what is now an issue of national importance is no longer a viable option.

6.1.1 Development of a clear strategy for the sector

The lack of a clear policy and national strategy on the long-term care of our older population, combined with current uncertainty around future funding arrangements poses one of the biggest challenges to the long-term sustainability of the nursing home sector.

Notwithstanding Government Policy objectives to support older people to remain living in their own home as long as possible, there will always be a cohort of the population whose care needs can only be met in a long-term residential care setting. This cohort of the population is rapidly growing in size.

Further delays, in addressing existing gaps in long-term residential care provision will contribute to delays and over-crowding in the acute hospital sector and A&E departments throughout Ireland. This is an issue that affects all members of society- not just our older population.

It is vital therefore, that Government, policy makers and key stakeholders come together to map out the future of nursing home care and implement an appropriate framework to meet the significant growing requirement for it. The nursing home sector has a key role to play in developing this strategy and offers a real solution to the challenges created due to an ageing population. Nursing home operators must be afforded the opportunity to shape this strategy.

6.1.2 Creation of a Stimulus Programme to Encourage and Support Investment and Expansion in the Sector

The availability of bank funding is one element of the overall funding mix for nursing home projects. Uncertainty on the future of the Fair Deal and the weekly rates to be paid to nursing home operators have been cited by the banking sector as some of the key impediments to lending to the nursing home sector at present.

However the availability of bank funding on its own is unlikely to be enough to encourage and support the significant levels of investment required by the nursing home sector to meet the increasing levels of demand generated by an ageing population.

For reasons outlined previously, it is both from a capital cost and funding perspective that it will fall to the private sector to make the investment that is required to meet future bed provision.

The nursing home sector has in the past, benefited from a directly targeted tax based incentive scheme to encourage development in the sector. Careful consideration must now be given to identifying how the State can support or encourage new investment in nursing homes in areas where there is clear evidence of strong demand for long-term
residential care.

Measures to be considered could include changes to the treatment of VAT (applying a zero or low rate of VAT to construction expenditure) and or the possible extension of the EIIS to the nursing home sector.

6.1.3 A Fair Price for Appropriate Care

The lack of transparency, dominant negotiating position enjoyed by the NTPF, and flat rate of fees (irrespective of the levels of dependency and acuity) have been identified as some of the key weaknesses in the current NHSS.

The development, by the NTPF of a clear and transparent pricing policy/ model which provides a fair price for patient centred care, must be undertaken as a matter of priority.

It is vital that in their negotiations with individual operators, that the NTPF give due consideration to the cost of capital and the ability of individual operators to generate a reasonable return on investment.

Operators who are dissatisfied with the rate proposed by the NTPF must be afforded the opportunity for fair right of appeal independent of the NTPF.

Where the rate paid to a nursing home operator, is below the real cost of providing appropriate resident care, it seriously undermines the sustainability of the existing business, and provides no incentive for operators to re-invest in their current operations or to make essential investment in new nursing bed capacity.

Unless addressed, this will result in further nursing home closures and with no new supply coming to the market. It will further exacerbate the delays experienced by those looking to access long-term residential care.

Given the increasing level of dependency of nursing home residents and the absence of appropriate or suitable community supports, it is likely that those unable to secure a place will instead turn to the acute hospital sector and in doing so further add to the cost and operational pressures being experienced in terms of over-crowding and delayed discharges.

6.1.4 Consistency of Standards & Provision

Over the last decade both the provision and quality of Ireland’s nursing homes has been transformed, in the main by private sector investment and also by the introduction of the regulations and national quality standards for the care and welfare of older people in residential settings (the Act).29

As a result of the Act, the work of HIQA and the steps and action taken by the wider nursing home sector, nursing homes, operate in one of the most highly controlled and regulated sectors in Ireland. The implementation and adherence to these regulations is not without cost and must be funded by the nursing home operator. The capital and operating cost implications for all operators should not be underestimated.

As outlined previously, the level of investment required to bring the public provision of long-term residential beds is substantial - €1.68bn – and the ability of the Exchequer to make this investment is seriously under question.

It is vital that the Government addresses as a matter of priority how this investment is to be made and how it proposes to ensure that all public nursing home beds can become HIQA compliant by the July 2015 deadline, or for this matter, if this is now a realistic or desirable objective.

The potential loss of capacity from the sector will have a negative impact on supply at a time when demand for residential care is outstripping supply in many parts of the market. This is of particular relevance for public beds, where it is estimated that approximately 90% of the current provision will not meet HIQA Standards, without substantial capital investment.

An extension to the current deadline may therefore be necessary.

As Ireland works towards a more integrated model of older persons care, it is vital that a uniform and consistent application of existing and future standards is brought to bear on all nursing home operators- public and private. Furthermore these standards should also be applied to the providers of other care services and supports to our elderly population.

At present, there are no national quality standards and no legislative scheme for independent regulation of the domiciliary care sector, whether provided by public, not-for-profit or the private sector.

It is critical that all individuals benefit equally from the protections afforded by what are recognised as excellent care standards provided for under current legislation, regulations and standards. This is consistent with one of the objectives of Future Health which seeks to introduce a statutory regulation system for the providers of older person’s care services.

This will help to ensure the delivery of high quality patient centred care across the entire older person’s continuum of care model.

6.1.5 A Sustainable Funding Model

In Ireland total public non-capital expenditure on health has increased by 39.8% since 2004, however it has decreased by 2.1% between 2012 and 2013.

Public capital expenditure on health increased by 0.9% between 2011 and 2012 but decreased by almost 32% since 2003.

Total heath expenditure in 2011 was 8.9% of GDP and 11% GNP. This compares with the OECD averages of 9.3% and 9.8% respectively.

Ireland’s per capita total health expenditure has increased steadily in real terms between 2002 and 2008, but has decreased since 2009.

Funding long term care is a global issue. In 2009, total public spending on long-term care accounted for an average of 1.4% of GDP in OECD Countries, a figure expected to double by 2050. Even the most socially progressive countries cannot meet the entire care burden with public money, with it falling back to many elderly people and their families to bridge the funding gap. Ireland is no different.

As Minister Reilly noted on the 2nd of July 2013 “the reality is that funding available for services for older people is not increasing at the same rate as the population.

More recently a HSE official noted in a presentation as part of a Biennial National Social Housing Conference "it will not be economically viable to maintain 4.5% of people over 65 years of age in long-stay care into the future".

29 Health Act 2007 (Care and Welfare of Older People in Designated Centres) Regulations
A model and appropriate budget for funding nursing home care that recognises the costs of providing resident centre care, but which is sustainable in the context of an ageing population must be developed as a priority.

As the supply and demand analysis has clearly demonstrated the demand for long-term residential care will, based on current demographic trends, only increase in the future.

Even if the Government and its agencies are successful in developing alternative or complimentary models of care for our older population, the increases in the cohorts of our 85+ population, whose complex care needs can be best met in a nursing home, will continue to generate strong levels of demand for nursing beds.

It is clear that the current Fair Deal Budget is inadequate in the context of an ageing population, with associated higher dependency levels. Recent decisions to divert money from the NHSS to support home care packages and other community facilities, for short-term financial gain, will be at the expense of much higher social and economic costs now and into the future and will further increase the delays in securing long-term residential care for those who need it most.

While the temptation may exist to reduce weekly payment under the Fair Deal to increase numbers participating in the scheme, we believe that such a strategy will force many operators out of the market, further lessen the attractiveness of the sector for new investment and will result in reducing bed numbers.

It is vital that the Fair Deal for nursing homes remains intact. Efforts to increase the level of funding to other older care services or provisions must not be at the expense of a reduction in the overall funding available to those requiring long-term residential care.

6.2 Conclusion

The challenges created by and the implications for Government and wider society of not addressing the issue of our ageing population are clear.

This is now an issue of national importance. Time is not on our side. Action must now be taken and a national strategy for care of our older population must be developed as a priority.

As the key provider of long-term residential care in Ireland, the nursing home sector has a vital role to play in developing this strategy and in meeting the increasing complex care needs of an ageing population.

This report makes a number of recommendations on the role the State and its agencies can play in supporting and contributing to the long-term sustainability of the sector.

These recommendations can and must be implemented as a matter of priority.

NHI has been consistent in its calls to bring all stakeholders together to map out the future of nursing home care and implement an appropriate framework to meet the significant growing requirement for it. These calls should no longer be ignored.
## Funding for Care in Long-Term Care Settings in Europe

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<tr>
<th>Country</th>
<th>Funding Sources &amp; Key Features</th>
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| Austria | Three main sectors of social welfare system
  - Social Insurance
  - Social Protection
  - Social Assistance
  - Federal Long-Term Care Allowance Act: Federal funding for long-term care (received by person in need, care levels from 1 to 7)
  - Provincial funding for long-term care (received by person in need).
  - For all: medical treatment covered by statutory health insurance.
  - Private contributions towards care come from personal state pensions, private care insurance, personal assets. |
| Belgium | Residential and home nursing care services are covered by the universal health insurance system (Federal Compulsory health insurance law of 14 July 1994), which is financed with social security contributions paid by workers, employers, and retirees, and by general taxes.
  - Cash benefits for long-term care recipients for non-medical expenses.
  - Allowance for Assistance to Elderly Persons (federal level) and monthly allowance (for patients who score highly on an assessment of activities of daily living scale) paid by Flemish long-term care insurance (regional level). |
| France | The cost is calculated according to:
  - accommodation (set price)
  - daily living assistance (according to the needs assessment for the Activities of Daily Living - ADL)
  - nursing care (set price)
  - Accommodation fees paid by the resident, welfare funding can be provided by the local authorities (departmental council welfare) (in public or non for profit homes)
  - ADL assistance fees paid by resident; financial help can be provided by the local authorities (according to the level of impairment and to the resident’s income)
  - Nursing care fees and chronic therapeutics: free for the resident (funding from the National Health Care organisation)
  - Medical care provided by GPs, cost recovered by the National Health Care insurance and private insurance (although for some diseases the medical care is almost totally free for the patient) |
| Germany | The main elements of German Care funding:
  - Obligatory individual care insurance (Pflegeversicherung) plus mandatory individual health insurance (Krankenversicherung) pays part of the costs in long-term care facilities
  - Private contributions towards care: pensions, private care insurance, personal assets and family money (e.g. children), to cover the gap between the contribution provided by the insurance and the real costs. This gap can vary between 10 and 40 % (up to several hundred € per month).
  - Social welfare assistance (Sozialhilfe) is provided to cover long-term care costs for people in financial need. |
| Italy | Two components of the total nursing home rate:
  - "health care rate" (for medical and nursing care, drugs and medical equipment);
  - "social rate" (for accommodation and other services).
  The type of facility lived in can determine what is paid for:
  - in fully private facilities the users can be asked to pay for all the expenditure.
  - in public/private facilities, recognised by the Regional Health System, the user is admitted after being assessed by a geriatrician working in the Regional Health System: "health care rate" is covered by Regional Health System, "social rate" is covered by the users.
  Municipalities pay the "social rate" for low-income people, after social assessment.
  Regional Health System pays the full nursing home rate in post-acute situations (30/60 days).
  The estimated contribution towards nursing home expenditure is: 44% Regional Health System; 47% the users, 9% the municipalities. |
### Funding for Care in Long-Term Care Settings in Europe

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| **The Netherlands** | In publically run facilities costs are covered by:  
- Public long-term care insurance (AWBZ) exceptional Medical Expense Act; assessment is needed by an independent organization - CIZ  
- Income dependent cost-sharing for residents of nursing homes and care homes.  
  
The AWBZ is funded by social security premiums, taxes and co-payments.  
  
For private organisations people can use personal budgets (PGB's; assessment is needed by an independent organization CIZ) for the care needed.  
  
Apart from that people pay all costs for living in a private institution. |
| **Norway**      | - Long-term care patients have to use 70% of their pensions to fund their care.  
- The rest is financed by the social system from the municipalities, which receive funding support from the government.  
- All Norwegian inhabitants pay the same public insurance.  
- More recently private insurance can be purchased, but this is not usual practice.  
- Older people are not required to sell their house or use family money. |
| **Portugal**    | Mixed funding available.  
- Private contributions (pensions, personal assets, private care insurance) and public resources that result from the agreements between the state and the private institutions.  
- Private contributions (pensions, personal assets, private care insurance).  
- Public funding. |
| **Spain**       | Mixed funding (same in all Autonomous Communities, but different percentages depending on the Regional or Local Government)  
- Public funding:  
  - Through the Dependency Law financed by the Central and Regional Governments (taxes and contributions) and through Regional Social Services Laws. Services are of a priority nature, but when the competent Administration is unable to offer them (public or subsidised), the individual is entitled to receive financial benefits (to buy private services, for informal caregivers or to hire personal caregivers).  
  - Beneficiaries must contribute financially to the funding of services by means of a co-payment, depending on their degree of dependency and their personal financial situation. Care homes: up to 90% of income depending on acquisitive level.  
  - Medical care free to all, although care homes may have their own GPs. |
| **Sweden**      | Mixed funding.  
- More than 75% of the older people's care system is financed by state taxes.  
- Personal contributions are means tested. |
| **Switzerland** | Mixed funding.  
- The older person or their family (are means tested)  
- Health insurance for nursing and medical care  
- Local authority funding |
| **United Kingdom** | - Individual receiving care undergoes means testing.  
- Needs assessed for nursing care provision in nursing homes, but nursing care provided free to residents in care homes (personal care) by primary care nurses  
- Medical care free to all, although some care homes may pay GPs a retainer for extra services such as regular visits to the care home. Varies between the UK nations e.g. Scotland provides free personal care, whereas in England this funding source is means tested. |
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