Rental Income Review: Reviewing the impacts of an income disregard in the Nursing Home Support Scheme Act from 80% to 40%

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Department of Health

Rental Income Review

Reviewing the impacts of an income disregard in the Nursing Home Support Scheme Act from 80% to 40%

Background:

In 2021, Government's "Housing for All Strategy - a New Housing Plan for Ireland" committed under action 19.8 to "*amend the Nursing Home Support Scheme Act 2009 to remove disincentives against the rental of vacant properties by participants in the Fair Deal scheme in a way that is targeted, equitable, evidence-based and provides appropriate safeguards for vulnerable older people".*

In line with the Government's strategy, the Department of Health brought forward a policy to partially exempt rental income from a person's principal private residence (PPR) from financial assessment under the Nursing Homes Support Scheme (NHSS), namely, to assess the relevant income at 40% instead of 80%.

The Amendments were passed through the Regulation of Providers of Building Works and Miscellaneous Provisions Act 2022. The Act was passed for the second time by the Seanad on 30 June 2022 and was signed by the President on 6 July 2022. Part 9 of the Act, which included the NHSS amendments, commenced on 1 November 2022. The 4 months to commencement allowed for the measures and mechanisms to be put in place by the HSE (the Executive), such as changes to the IT systems and application form, new guidelines and training for staff.

The HSE is also responsible for the collection of data regarding the activity level of the amendment in respect of the treatment of rental income and report on it.

The new legislation provided the commitment to review after six months of operation. This is outlined in sections 45C and 45D of the NHSS Act 2009.

"45C. (1) The Minister shall, 6 months after the coming into operation of section 82 of the Act of 2022, carry a review of the operation of the amendments to this Act effected by Part 9 of the Act of 2022. […]"

After this review, the Minister for Health, in consultation with the Minister for Public Expenditure and Reform and the Minister for Housing, Local Government and Heritage, is required to produce a report setting out the findings and conclusions. Then the Government, at the request of the Minister for Health and the Minister for Housing, Heritage and Local Government, may make an order to modify the assessment of the eligible rental income.

Given the pressures within the housing sector, Cabinet proposed to further remove disincentives earlier this year and to exclude rental income from a principal private residence from the financial assessment of NHSS participants. This proposal was not without dissent and safeguarding fears in relation to its implementation were raised.

Nursing Homes Support Scheme:

The Nursing Home Support Scheme (NHSS), commonly referred to as “Fair Deal”, is a system of financial support for people who require long-term residential care. The primary legislation underpinning the NHSS is the Nursing Home Support Scheme Act 2009.

Participants in the NHSS contribute to the cost of their care according to their means, while the State pays the balance of the cost. The State is reliant on these proportionate contributions from those with greater wealth to provide access to those who have little.

The Scheme aims to ensure that long-term nursing home care is accessible and affordable for everyone, and that people are cared for in the most appropriate settings.

The Scheme supports over 22,000 people to access long-term residential care, an annual cost of approximately €1.5 billion to the State in 2023. The cost of the Scheme is met jointly by the State and residents, with the State providing over €1.12 billion (75%) and residents contributing approximately €350 million (25%).

Policy Change:

For this specific policy change, the Department of Health undertook a Regulatory Impact Analysis (RIA) cost-benefit analysis, to properly assess the potential effect of proposed amendments to the NHSS regarding the treatment of rental income from a person’s principal private residence.

Bearing in mind the potential consequences for residents and for the sustainability of the NHSS, the Department recommended the partial exemption of all rental income from a person’s principal residence from financial assessment under the NHSS, to assess the relevant income at 40% instead of 80%.

It was estimated that this option would remove disincentives for rental, and it would bring around 1200 additional properties to the rental market, without undermining the financial stability of the NHSS. It would also mitigate perverse incentives that would impact on safeguarding and care of residents.

The HSE, as the Executive and administrator of the Scheme, implemented a new process to facilitate the receipt and processing of applications that would fall under this policy

Policy implementation:

Together with the new process, the HSE developed different communications targeted to potential applicants (i.e., NHSS participants), nursing homes and staff.

More specifically, the NHSS National Office, in conjunction with the HSE Communications Division, developed a new application form that allows NHSS supported residents to apply to have rental income from their Principal Private Residence (PPR) assessed at 40% instead of 80%.

Additionally, all NHSS funded nursing homes were contacted and advised about the new changes prior to the commencement on the 1 November 2022. The HSE issued posters to all nursing homes detailing the amendment and how residents and/or families could make an application. The posters included a QR code to allow direct online access to the application form.

The HSE made updates to their online platforms, particularly their website where detailed information can be found under the section "Fair Deal Financial Assessment – Rental Income for your home".

In October 2022, further communication was issued to all 15 Nursing Home Support Offices (NHSO) across the country[1] in respect of changes in the treatment of Rental Income in respect of a Principal Private Residence following the enactment.

This included details on how to assess Rental Income when completing a Financial Assessment, how to record this on the NHSS IT System and the documentation required. Webinars were delivered by the NHSS Training and Standards officer for all NHSOs to advise of the amendment and support them in dealing with applicant queries and in processing applications. These webinars were delivered over six separate sessions to accommodate all HSE NHSO staff.

In addition to this, the HSE Live staff were also briefed on the changes to NHSS to support them in responding to queries from the public. The key focus of these briefings was to allow HSE Live staff to direct clients to the most appropriate source of information to answer their queries.

[1] Locations of Nursing Homes Support offices

Results of Policy:

As it is provided by the legislation, the HSE developed a reporting format to monitor the monthly uptake of this policy, as well as overall data for PPR Rental Income from commencement to date. A brief summary of activity to date is shown below:

	Number of applications received
January	20
February	4
March	6
April	10
May	1
June	5
July	5
Total	**51**

From its commencement to July 2023, **51** NHSS supported residents have applied for the 40% assessment rate of rental income. Of these, 41% (21 participants) were already renting out their principal private residence before the introduction of the new policy and were being assessed at 80% for their rental income. This compares to the **59%** of applications received from new applicants to the scheme.

CHO areas:

CHO1	Donegal, Sligo/Leitrim/West Cavan, Cavan/Monaghan
CHO2	Galway, Mayo, Roscommon
CHO3	Clare, Limerick, North Tipperary/East Limerick
CHO4	Cork, Kerry
CHO5	Carlow/Kilkenny, South Tipperary, Waterford, Wexford
CHO6	Dublin South East, Dun Laoghaire (aka Dublin South), Wicklow
CHO7	Dublin South City, Dublin South West, Dublin West, Kildare/West Wicklow
CHO8	Laois/Offaly, Longford/Westmeath, Louth, Meath
CHO9	Dublin North

As of the end of July 2023, the highest number of applications under the new policy were received from Dublin regions, CHO6, CHO7 and CHO9 (including Kildare and Wicklow). This represents 34 properties in total. The lowest number of applications received from CHO3. So far, no new properties registered under the new policy for CHO2 and CHO4. CHO4 has the highest number of assessed properties including private principal residences.

Dublin regions (including Wicklow and Kildare) have the highest uptake as a percentage of estimated PPRs, yet properties assessed under the new policy only make up less than 1%. The largest urban areas in the country can be found within these CHOs and these are designated as Rent Pressure Zones, meaning that rents cannot exceed general inflation, as recorded by Harmonised Index of the Consumer Price (HICP), or 2% per year pro rata.

	NHSS clients with assessed PPR on Financial Assessment	Number of PPRs under 40% assessment	% uptake of Rental Income
CHO1	1183	4	0.3%
CHO2	1436	0	0.0%
CHO3	1252	2	0.2%
CHO4	2109	0	0.0%
CHO5	1525	6	0.4%
CHO6	1250	10	0.8%
CHO7	1789	8	0.4%
CHO8	1797	5	0.3%
CHO9	1860	16	0.9%
Total	**14201**	**51**	**0.4%**

Regardless of the significant 50% reduction of rental income under the NHSS financial assessment and despite the high rental demand very few NHSS participants have engaged with the new policy.

More than half of uptake has been in Dublin surrounds. 36/51, 41/51 if you include CHO for Meath.

The time lapsed after the commencement and the small numbers of uptake are insufficient to draw a clear conclusion on why this is.

There have been 7245 applications for NHSS funding since November 2022, where less than 1% applied to be assessed under the new policy, even when the income was being assessed at 40%.

	No. NHSS applications
November	840
December	735
January	1094
February	1001
March	1137
April	819
May	883
June	736
Total	**7245**

As of 31/07/2023, there are **22827** NHSS participants. 62.5% of them (**14201**) have had their Principal Private Residence value assessed as part of their financial contribution, of this number 4,537 were assessed jointly, we can consider that these properties would not be available to rent. A figure of 9664 properties should therefore be considered, however, it is not recorded if these properties are vacant, rented out (except the 51 properties as per table above) or occupied by family members.

Factors affecting uptake:

Several factors might disincentivise a person against renting their home when going into care.

Families:

Of the **14201** applicants that have their Principal Private Residence value assessed as part of their financial contribution, it is likely that a percentage of these properties that are not in the private rental market are not "truly" vacant. Some of these properties may be inhabited by other family members or connected persons.

It should also be noted that it is a possibility that there are a number of properties already rented under informal or undeclared tenancies. Anecdotal evidence exists for family members of NHSS participants renting out the principal private residence and retaining the income. The rationale for this approach includes avoidance of not only NHSS assessment but also tax, Residential Tenancies Board (RTB) registration and other obligations.

Additionally, disputes within family for the future of the property could prevent the rental or selling of such property.

However, not everyone has family or trusted people in their environment to take care of the property once they go into long-term residential care.

Condition of properties:

Another potential factor is that properties of people who are going into care are in poor condition and not suitable for rental without major remedial work. The Survey on Income and Living Conditions (2020)[2] reports that around 13.3% of older people aged 65+ live "in a dwelling with leaking roof, damp walls, floors or foundation, or rot in window frames or floor". Based on this, Age Action estimates that older adults have moderate to major problems in housing conditions, specifically 48% have poor insulation (low BER rating of E, F or G). In addition, properties could be of a type and/or in location that has very low demand for rental.

[2] Statistics | Eurostat (europa.eu)

Conclusion:

To date the changes to the policy have shown that there is scope for residents in Nursing Homes to rent their Principal Private Properties out under an increase rental income disregard. As outlined in the above, the number of new residents renting out their properties has been low.

The ultimate objective of the policy was to increase the availability of housing stock by reducing disincentives against the rental of vacant properties by participants in the NHSS in a way that is targeted, equitable, evidence-based and provides appropriate safeguards for vulnerable older people.

Specifically, the objective that is being reviewed is ‘to provide access to a steady supply of housing that is fit for occupation within a matter of weeks from the enactment of this legislation’.

It appears that the supply is inelastic in responding to the reduction in assessable rental income. This may indicate that there are other factors behind driving peoples’ decision whether to place a principal residence on the open rental market, e.g., condition of property, concern over tenancy rights or a family member occupying the property.

Older Persons Residential Care Unit

Department of Health