

The Fair Deal Negotiation

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Background

- Audit partner, ACA
- Act as accountant to a number of audit and accounting clients who are nursing homes
- Our office has assisted in over 150 negotiations since October 2009
- Vast experience in assisting in nursing home negotiations with over 60 negotiations completed
- 4 recent negotiations completed since end of May 2011 - Fair Deal out of money



What the NTPF have said to me!

- Minister James Reilly was astounded that any increases had been negotiated in 26 October 2010 negotiations and April 2011 negotiations
- They have been commissioned to make €20m in savings
- Request by minister to go out and renegotiate Oct 2010 and April 2011 contracts
- The NTPF have no authority to negotiate increases
- Don't feel Minister Reilly will use his ministerial powers - negotiation tactic?
- Have indicated to me that they might not be around for long more



NTPF approach

- Structured to begin with
- Horse trading to finish
- NTPF need to conclude a deal
- 10% cuts opening position
- Targeting their perception of more “profitable” nursing homes to make a more significant contribution
- In some instances looking for a “gesture”



NTPF methodology

- Cost based focus rather than a Revenue based focus.
- Look at the costs of running the nursing home and strip out disallowable costs.
- Focus on the break even cost of care
- Using words like “scope to make a contribution”
- Holding the line that they are just carrying out instructions
- Fairness doesn't come into it. Sticking to a rehearsed script



NTPF methodology

- Focused on old contract bed rates and their impact on average rates
- Focus on occupancy
- Length of contracts still in focus
- Arguing that each nursing home should be adding on for extras



Example of methodology

Nursing home X

2010

€

Turnover 2,152,800

Less: expenses (1,799,000)

Profit for period 353,800

Average residents for the period 50

Average rate per resident per week 828

Breakeven cost per resident per week 692



Example of methodology

Nursing Home X			2010
			€
Turnover			2,152,800
Less: expenses			(1,799,000)
Profit for period			353,800
Expenses for the period			1,799,000
Less:	Activities co-ordinator	32,000	
	Physiotherapy	15,000	
	Bad debts	30,000	(77,000)
Revised allowable expenses			1,722,000
Revised breakeven cost per resident per week			662



Example of methodology

Nursing home X	2010
	€
Turnover	2,152,800
Less: expenses	<u>(1,799,000)</u>
Profit for period	353,800
Taxation	(194,590)
Capital repayments to service debt	(250,000)
Actual cash position	(90,790)



Example of methodology

Expenses for the period	1,799,000
Allowance for salary and tax for proprietors	160,000
Capital repayments on loan	250,000
Revised annual cash outflow	2,209,000
Breakeven cost/cash requirement per resident per week	850
Current NTPF rate	830



The negotiation process

- Three on the negotiation team
- Country dividend into geographical regions
- They are well trained and very well informed
- In reality, focused on getting a deal
- Different negotiators committing to different things
- Questions over the credibility of their role



The Big Issues

- Level of uncertainty not good for any business - how can you plan
- Will not prepay for expenditure
- No consideration for HIQA requirements
- New nursing homes being penalised - average
- Is it a negotiation or an ultimatum?
- Level of information in the possession of NTPF
- Is there a dominant position being abused by the NTPF



The anomaly

- Perfectly possible to have two homes with the same turnover, same number of beds and €100,000 different in profit
- Difference due to one home having higher staffing levels than the other one
- Maybe because dependency is much higher
- The NTPF don't get into any of this - don't want to know
- Creating a situation where it no longer makes sense financially to cater for dementia/alzheimer/ABI residents



Average rate per county

	Single	Shared
	€ per week	€ per week
Cork	894	890
Clare	786	786
Cavan	828	828
Carlow	800	800
Dublin - City	1058	1058
Dublin - County	1136	1032
Donegal	717	717
Galway	773	767
Kildare	975	969
Kilkenny	837	837
Kerry	771	771
Longford	818	818
Louth	890	890
Limerick	780	780



Average rate per county

	Single	Shared
	€ per week	€ per week
Leitrim	727	727
Laois	894	894
Meath	912	912
Monaghan	835	835
Mayo	773	770
Offaly	732	732
Roscommon	737	737
Sligo	840	840
Tipperary	758	758
Waterford	851	851
Westmeath	765	760
Wicklow	989	989
Wexford	777	777



Cost of care in the public sector

- Average across the public sector - €1,245
- Highest €2,518
- The average cost in the public sector is higher than 99% of the private sector rates
- 70% of Fair Deal Budget being used up by public sector to house same numbers of residents
- €40m targeted in savings to be made in the public sector - what's happening here?



So what should you do

- Be prepared
- Know your numbers thoroughly
- Be prepared to negotiate hard and go all the way
- Don't concede ground
- Use advisors if you feel comfortable doing so
- Don't agree to a meeting in a few hours just because they say they are in the area
- Review notes from previous negotiations and see what was promised e.g. did they promise to pay for HIQA related costs once incurred
- Make extensive notes of the negotiation
- Ensure you have time to discuss matters with your advisor



Ensure all costs included in so far as you can

- Ensure NTPF negotiations at forefront of your thoughts prior to signing your accounts
- Be conscious of what you are submitting
- Is there sinking fund requirements, are you in breach of covenants
- What type of capital structure has funded the business
- If capital allowance structure, can you avail of FRS 5 calculations
- Provide documentation to add weight to your case



Length of contract?

- Consider where you are individually
- Have you had your HIQA registration
- What level of capital expenditure will you need to incur in the coming years
- Are you comfortable with the businesses performance?
- Would you like certainty?



The impact on you

- Vitally important for you now and for many years to come
- Its vital to put your best foot forward
- €5 in a 50 bed home is €13,000 per annum
- Going forward note all additional expenditure required by HIQA etc.
- Every euro counts not just today but when you want to exit the business



Thank You - Any Questions?

If you need any guidance, feel free to contact us at:

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