

Towards A Future Strategy for Ireland's Long-Term Residential Care Sector

NHI Annual Conference

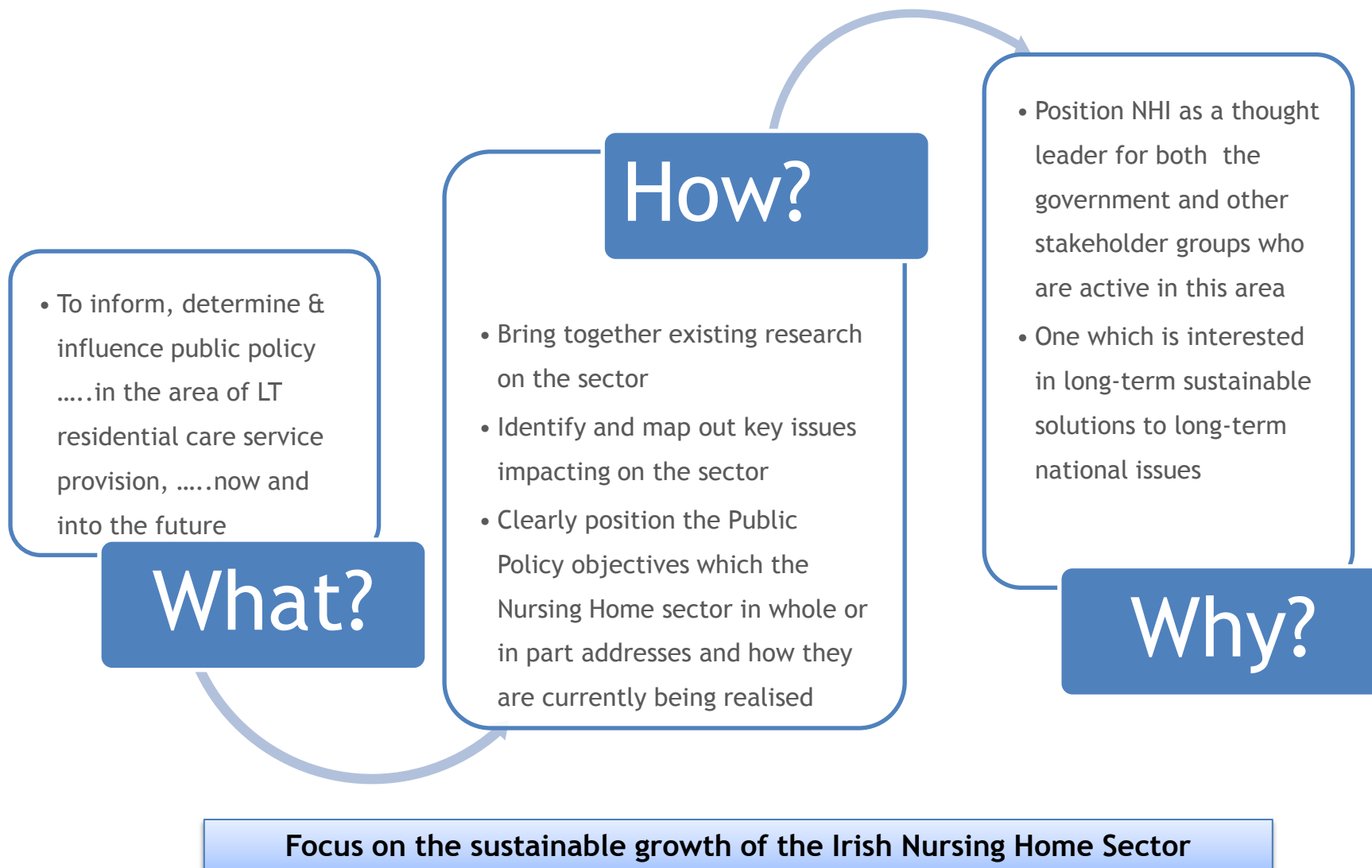
BDO

7th November 2013



Overview of Assignment & Focus Today

RESEARCH OBJECTIVES & APPROACH



FOCUS OF REPORT - V'S FOCUS OF TODAY

Report	Presentation
<ul style="list-style-type: none">• Foreword• Executive Summary• Introduction, Methodology & Approach• Context• Objectives and Instruments of Public Policy as regards Aged Care• Matching Supply & Demand- the need for sustainable supply• Requirements for a Sustainable Sector• International Benchmarking• Recommendations- Public Policy which will sustain and improve aged care	<ul style="list-style-type: none">• Overview of Assignment & Approach• Current Market Trends• Pillars of Sustainability• Demand & Supply Analysis• Strategy for Aged Care In Ireland• Funding & Cost• Development & Capital Issues• Recommendations

- Full report will provide a comprehensive analysis of the nursing home sector, the key issues and challenges facing the sector and appropriate policy responses.
- It will include some information that you will be familiar with, but also some new perspectives and insights.
- Focus today is to provide a summary of some of the key insights of our research, with a particular focus on the issue of sustainability.
- Provide members with an advance of the main report, and the opportunity to facilitate further member input into the review.

WHO DID WE ENGAGE WITH?

 **Ulster Bank**


**Bank of
Ireland**


Feidhmeannacht na Seirbhíse Sláinte
Health Service Executive


dfi



NHI 
nursinghomesireland

 **IRISH MEDICAL
ORGANISATION**
Ceardchumann Dochtúirí na hÉireann

C | A | R | D | I Centre for Ageing Research
and Development in Ireland

Age Action
IRELAND
For All Older People

 **An Roinn Sláinte**
DEPARTMENT OF HEALTH

 **Health
Information
and Quality
Authority**

A MARKET IN FLUX

Funding & Fair Deal

- Fair Deal Review
- Sustainability of Scheme in Current Format
- Variance in rate and lack of transparency
- Process of negotiating the rate- no negotiation of public FDR
- Accessibility to development capital and funding

Regulation

- HIQA
- Consistency in the application of standards
- Physical Environment Deadline (July 2015)
- Moves toward self-assessment

Demand (Need)

- A growing and ageing population
- Growth in the older old
- Changing levels of dependency & acuity

Supply

- Low levels of new supply entering the market
- Equity Gap
- Shrinking capacity in public and voluntary sector

Policy

- Objective of Government to provide more care in the community
- Continue to provide 20% overall bed provision
- 4.5% of over 65+ population in residential care not sustainable



Requirements of a Sustainable Market

PILLARS OF SUSTAINABILITY



DEMOGRAPHICS - KEY NUMBERS - KEY CHALLENGES

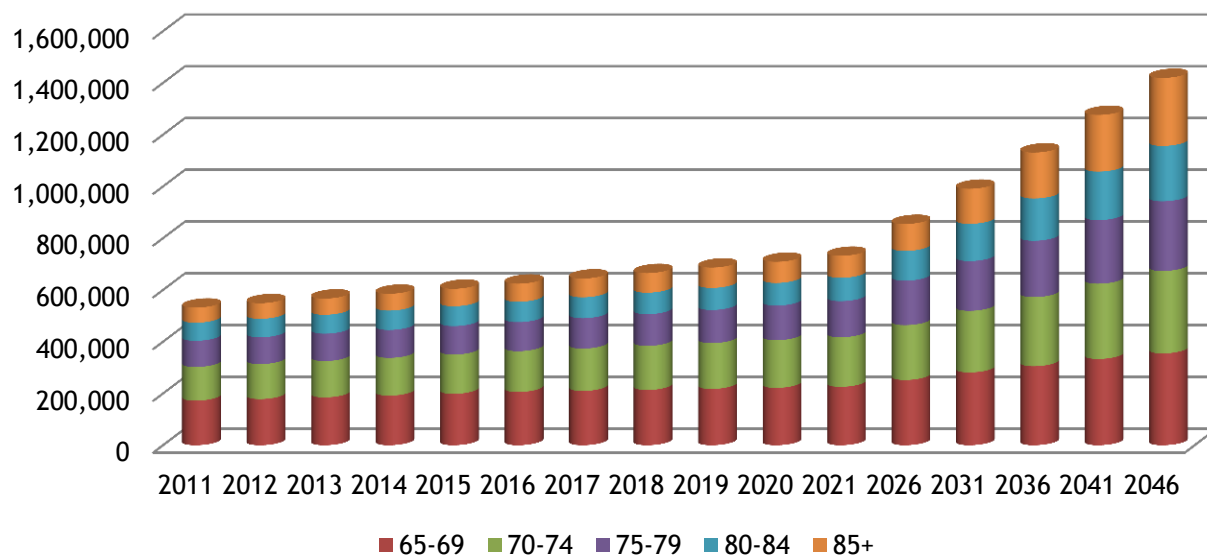
Age	2011	2021	% Growth (2011-2021)	2031	2041	2046	% Growth (2011-2046)
65-69	172.1	225.6	31%	281.2	333.2	354.6	106%
70-74	130.1	191.6	47%	238.3	291.1	318.7	145%
75-79	101.4	139.5	38%	192.1	245.6	269.3	166%
80-84	69.8	90.1	29%	143.9	187.4	213.8	206%
85+	58.2	85.0	46%	135.5	219.0	262.9	352%
Total 65+	531.69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

Source:

CSO Census of Population 2006 + 2011 & Population and Labour Force Projections 2016-2046

DEMOGRAPHICS - AN AGEING POPULATION

Aged Population Growth & Split by Age



- Across all 65+ cohort, population to grow from
 - 2011 - 11.6% population
 - 2046 - 24% population
- 65+ population to grow
 - 2011-2021 + 38%
 - 2011-2046 + 167%
- 85+ to grow
 - 2011-2021 +46%
 - 2011-2046 +352%

Source:

CSO Census of Population 2006 + 2011 & Population and Labour Force Projections 2016-2046

DEMAND (NEED) - BASIS FOR MODELLING

- Key Data sources
 - CSO Census of Population 2006 + 2011
 - Population and Labour Force Projections 2016-2046
- Population: Labour Force Projections 2016-2046
 - Demand modelled on M2F2 population projection
 - Net Migration returning to positive by 2018 and rising thereafter to +10,000 by 2021
 - Total fertility rate to decrease to 1.8 by 2026 and to remain constant thereafter
- Utilisation: We have based our aged related utilisation projections on those used by Wren in the 2009 ESRI Report
 - These were also used in the modelling (Scenario 3) to support “Towards the Development of a Predictive Model of Long-Term Care Demand For Northern Ireland and the Republic of Ireland (Oct. 2012)”
 - This provided a granular basis for projecting demand/need based on individual age cohorts

	65-69	70-74	75-79	80-84	85-89	90+
% in age cohort in residential LTC	0.7%	1.5%	3.7%	8.4%	17%	28.9%

For our modelling we have used a weighed average of 22.9% for 85+ population cohort

SUPPLY - BASIS FOR MODELLING SUPPLY

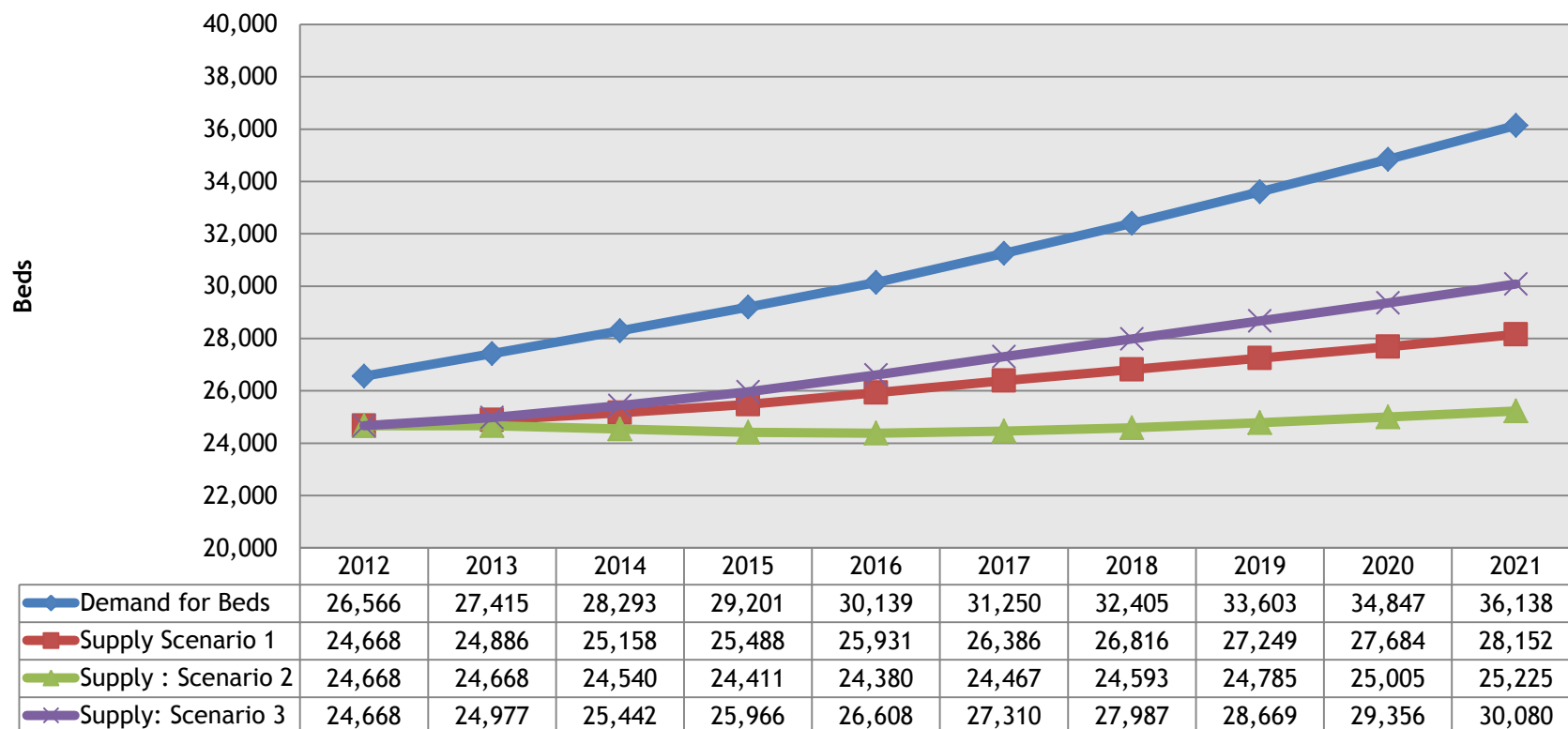
- Starting Point

- Basis for modelling supply into the future are the HIQA stats for current registered nursing beds as at October 2013
- Modelled based on average 91% occupancy of these beds (effective supply) - based on Long Stay Activity Statistics 2011 (Dept. Health)

	Scenario 1 (Likely)	Scenario 2 (Worst Case)	Scenario 3 (Best Case)
Private Beds	Continued growth in net bed additions in line with growth over last 3 yrs. (Av 339/year)	Slowing growth in net bed additions - struggle to achieve 25% equity required by funders or suitable affordable sites	Strong growth in beds – as a direct response to targeted stimulus Help targets 25% equity required by funder/suitable sites
Voluntary Beds	Continued reduction in bed numbers in response to challenge of meeting HIQA certification	Strong reduction in bed numbers as voluntary providers decide to leave business	Continued reduction in bed numbers in response to challenge of meeting HIQA certification
Public Beds	Total net number of public beds in system remains constant (despite challenges of existing stock)	Some reduction - challenge of meeting HIQA Registration & cost to repair - despite commitments	Public beds increase in line with private beds to maintain 20% market share (despite HIQA Registration & cost to repair)
% Occupancy	Gradual increase in occupancy as new builds/expansions are in areas with strong demand	Fewer addition thus less opportunity to add beds in areas with strong demand	Gradual increase in occupancy as new builds/expansions are in areas with strong demand

BRINGING IT TOGETHER - DEMAND (NEED) > SUPPLY

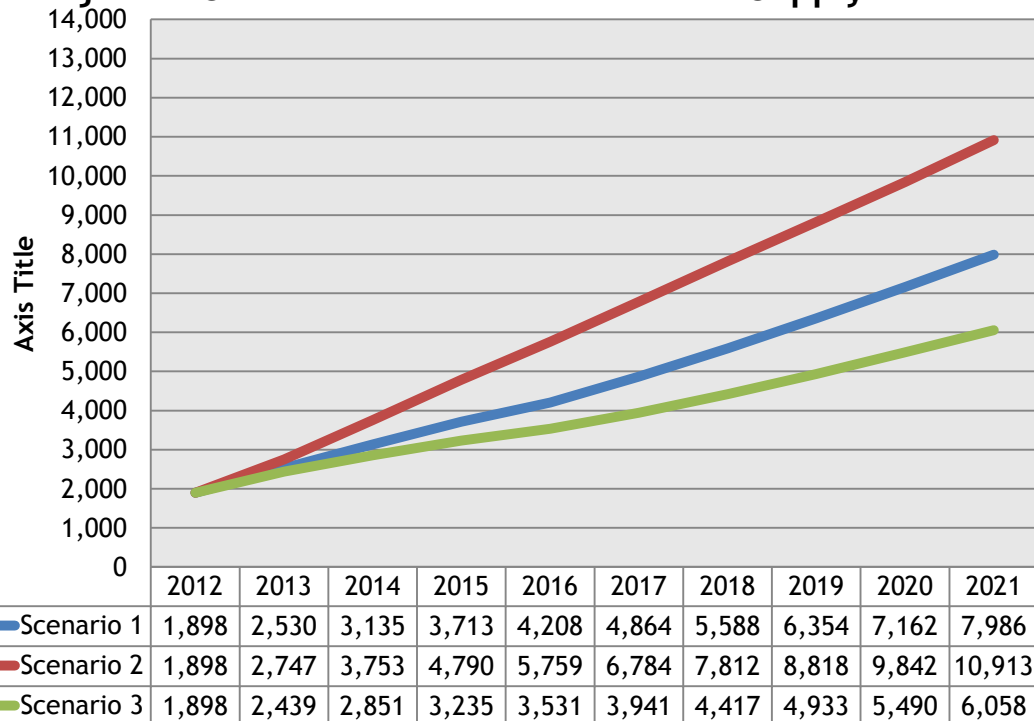
Projections - Bed Demand (Need) v's Supply



- For the purposes of our analysis, we have equated demographic and disability driven NEED for Beds as being equivalent to actual DEMAND for beds.
- In practice, actual Demand for beds, as manifested by residents and waiting lists may be moderated by factors other than need - such as affordability and geographic location

BRINGING IT TOGETHER - THE RESULTING SHORTFALL


Projected Shortfall - Bed Demand v's Bed Supply



- **Assumptions**
 - Based on Likely Scenario
 - Based on no reduction past 4.5%
 - Based on Av home size of 80 beds
- **Private:**
 - Bed additions : adds net 3,051 by 2021
 - New Homes - equivalent to 38 new homes
- **Public**
 - Bed additions : net additions nil
 - Focus on having existing stock HIQA compliant
- **Voluntary**
 - Bed additions : reduction 400
 - New Homes - equivalent to loss 5 homes
- **NET Remaining Shortfall**
 - Significant growth in shortfall 2011-2021
 - 2012 - 1,898 - equivalent to 24 homes
 - 2021 - 7,986 - equivalent to 100 homes

“To maintain current provision and address current capacity issues - requirement of €834m”- Action Plan - Public Residential Care 2013 - 2023

'COHESIVE NATIONAL STRATEGY' FOR AGED CARE

Current Policy	Key Targets	Targeted Outcomes
<ul style="list-style-type: none"> • To support older people to remain living in their own home as long as possible and to provide quality long-term residential care • Ensure that there is adequate capacity and choice for persons requiring long stay care • Identify innovative ways of supporting people to remain at home for as long as possible • Provide “additional and complimentary models” of care to provide for the full health and social needs of older people • Progress the single assessment tool (SAT) 	<ul style="list-style-type: none"> • Provider of 20% of long-term residential care beds • Reduce % of over 65's in LTC to below 4.5% 	 <p>The diagram illustrates the targeted outcomes of the strategy, centered around the goal of creating a great country for all to grow old in. The outcomes are interconnected and include:</p> <ul style="list-style-type: none"> Live in Age friendly, safe communities Participate as valued members of our own communities Live in a place that feels like home Avail of good health services Benefit from needs-based policies and plans Enjoy an adequate income

‘COHESIVE NATIONAL STRATEGY’ - IMPLICATIONS

- Bed & Nursing Home Provision
 - Private bed growth will not meet projected Demand/Need - large additions require targeted capital support
 - Private System will need to be incentivised to make significant capital investments 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 commitment to provide 20% of overall beds in market into the future
 - Is this the best/ appropriate use of scarce public resources?
- Foreseeable Shortfalls : Meeting projected Demand/Need into the Future
 - Aspiration to reduce % of 65+ in LTC below 4.5% in the ‘Medium Term’ has existed since 2006 - remains just that
 - Is this a realistic and achievable ambition - where is it documented how exactly this will be achieved ?
 - There will always be a cohort of the population who’s care needs can only be met in a LT residential care setting
 - Ability to add additional capacity in public sector is likely to be very restricted due to availability of capital
 - Shortfalls in long-term residential beds are likely to create a ripple effect throughout the entire health system- increasing the demands on the acute sector

‘COHESIVE NATIONAL STRATEGY’ - IMPLICATIONS

- Based on the current model of care and even with net additions in Private Sector beds each year up to 2021 there will be a shortfall relative to Need both in bed numbers and in the number of nursing homes

2016



4,208 beds



53 Homes

2021

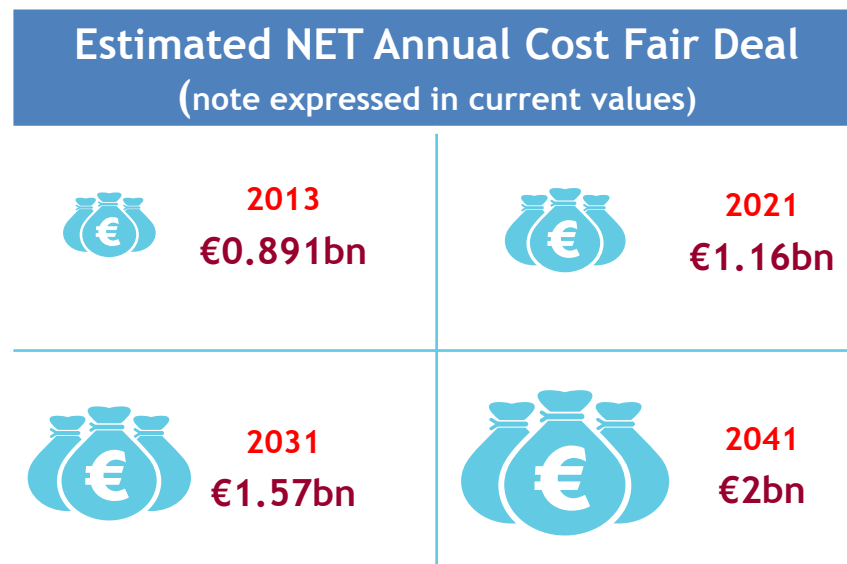
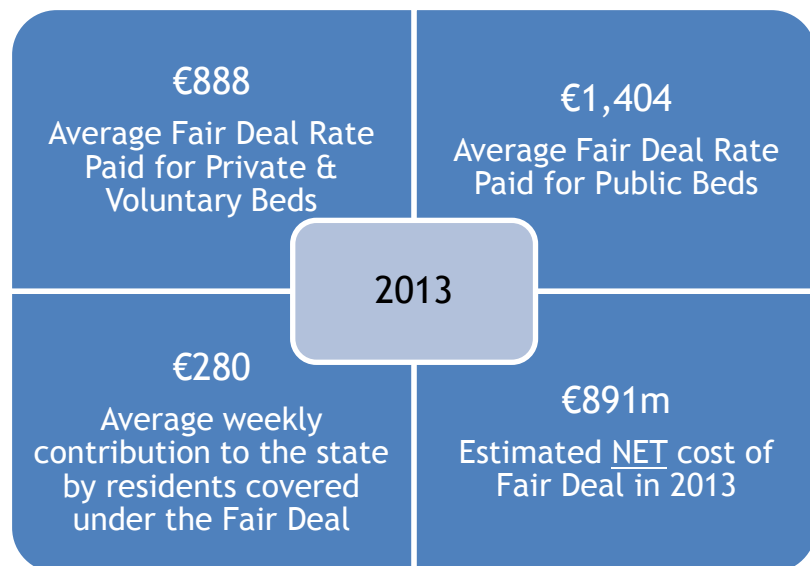


7,986 beds



100 Homes

CURRENT & FUTURE FUNDING COST TO STATE



“It will not be economically viable to maintain 4.5% of people over 65 years of age in long-stay care into the future” (Noel Mulvihill Ast. National Director for Older Persons, HSE, Sept 2013)

Figures are Current only - they exclude Capital costs associated with bringing existing public stock into HIQA compliance and additional Capital costs if the state commits to maintaining 20% of overall LT Residential Bed Provision. Est. €1.684bn

CAPITAL - DEVELOPMENT & ASSOCIATED ISSUES

- If the intention is to ensure no shortfall in supply of beds, the burden is likely to fall on the Private sector - which will need to add 1,000+ beds annually up to 2021
- More realistically we have assumed that there will continue to be 'unmet' demand (7,986 beds) in the market and that only circa 3,051 Private beds (or 38 homes) could be developed by 2021
- This means that by 2018, the process of providing for up to 38 new nursing homes will need to have commenced
- The reality is that this currently looks unlikely
 - While demographics are very favourable, limited new build activity is taking place (339 beds annually '09-'12)
 - Funders are concerned about near monopoly purchaser and ability to fund growth in Fair Deal volume
 - Transparency on rate and uncertainty on Fair Deal rate for new builds, makes fund raising difficult
 - Equity requirement is a problem for some - more expensive debt (mez finance) not attractive to banks and owners/operators reluctant to dilute own shareholding
 - There is currently very little incentive to add significant new capacity

OPERATING COSTS : BALANCE AGAINST FAIR DEAL RATE

- New investment in capital assets not just a function of debt availability - just as important is the perception about the ability to make a reasonable Return on Capital Employed (12%- Laing & Buisson)
- For the state to be able to rely on additional support from the private sector it will require that:
 - Clarity is provided in relation to how additional volumes will be managed within the Fair Deal budget - reducing weekly payments to increase bed coverage will actually reduce available beds and reduce the quality of care that can be provided
 - Fair recognition must be given under the Fair Deal to the additional costs of caring for residents with increasing dependency and acuity levels- Acuity linked payments
 - The question of *resident Top-Ups and resident choice* needs to be addressed in a realistic manner and in line with norms elsewhere such as the UK

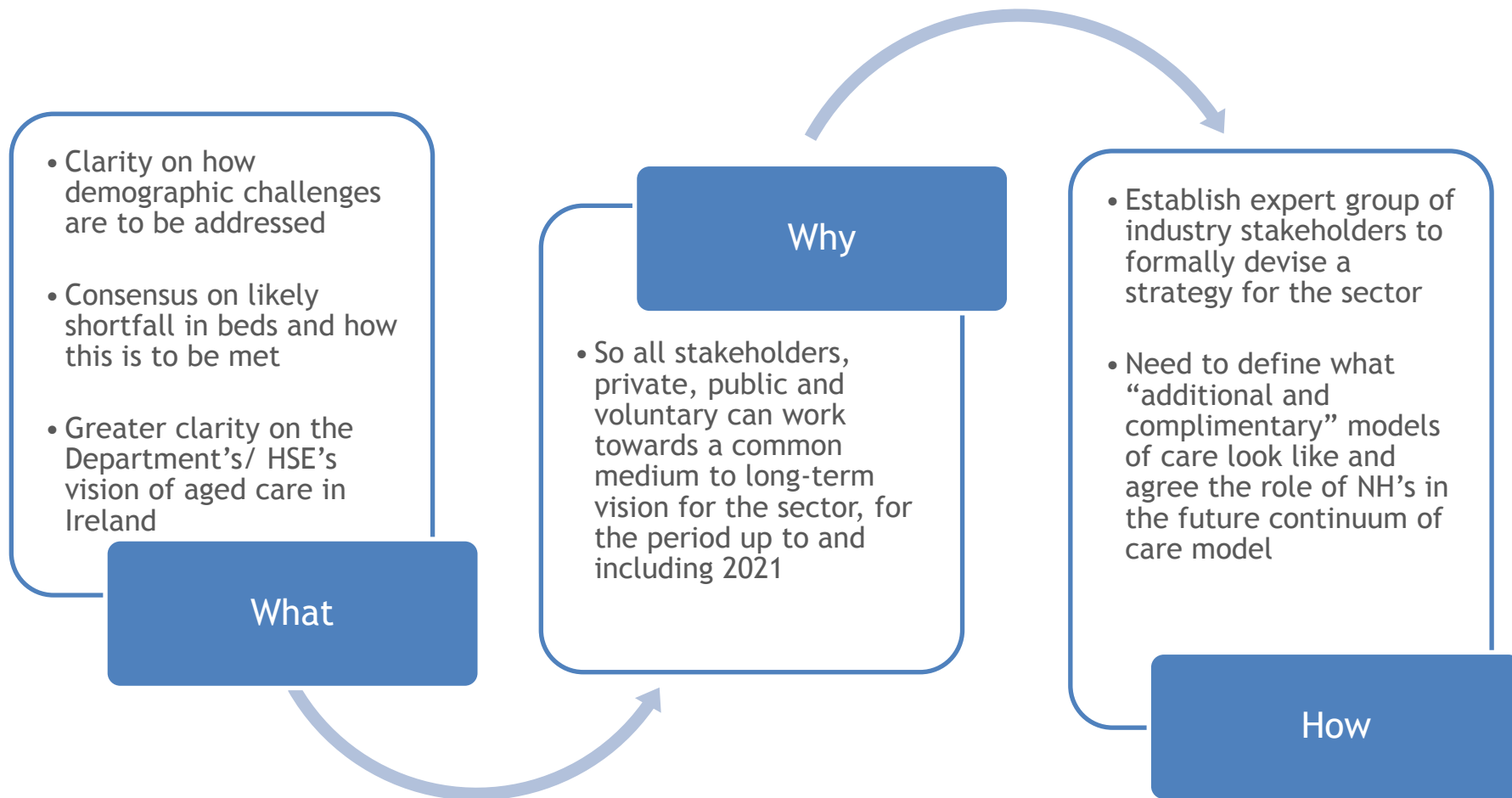
“The reality is that the funding available for services for older people is not increasing at the same rate as the population” (Minister Reilly, July 2th 2013)

Recommendations

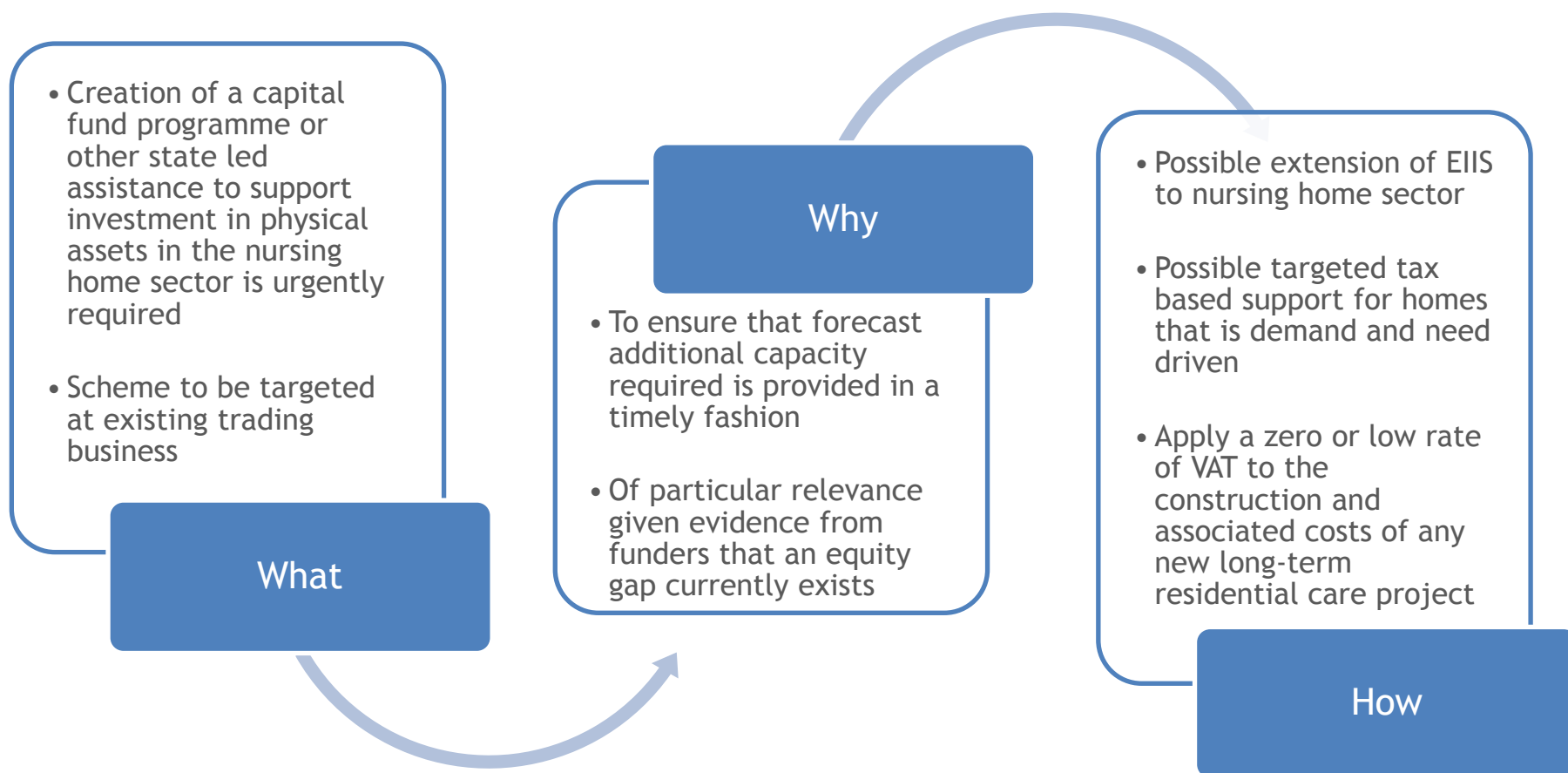
TOWARDS A SUSTAINABLE NURSING HOME SECTOR



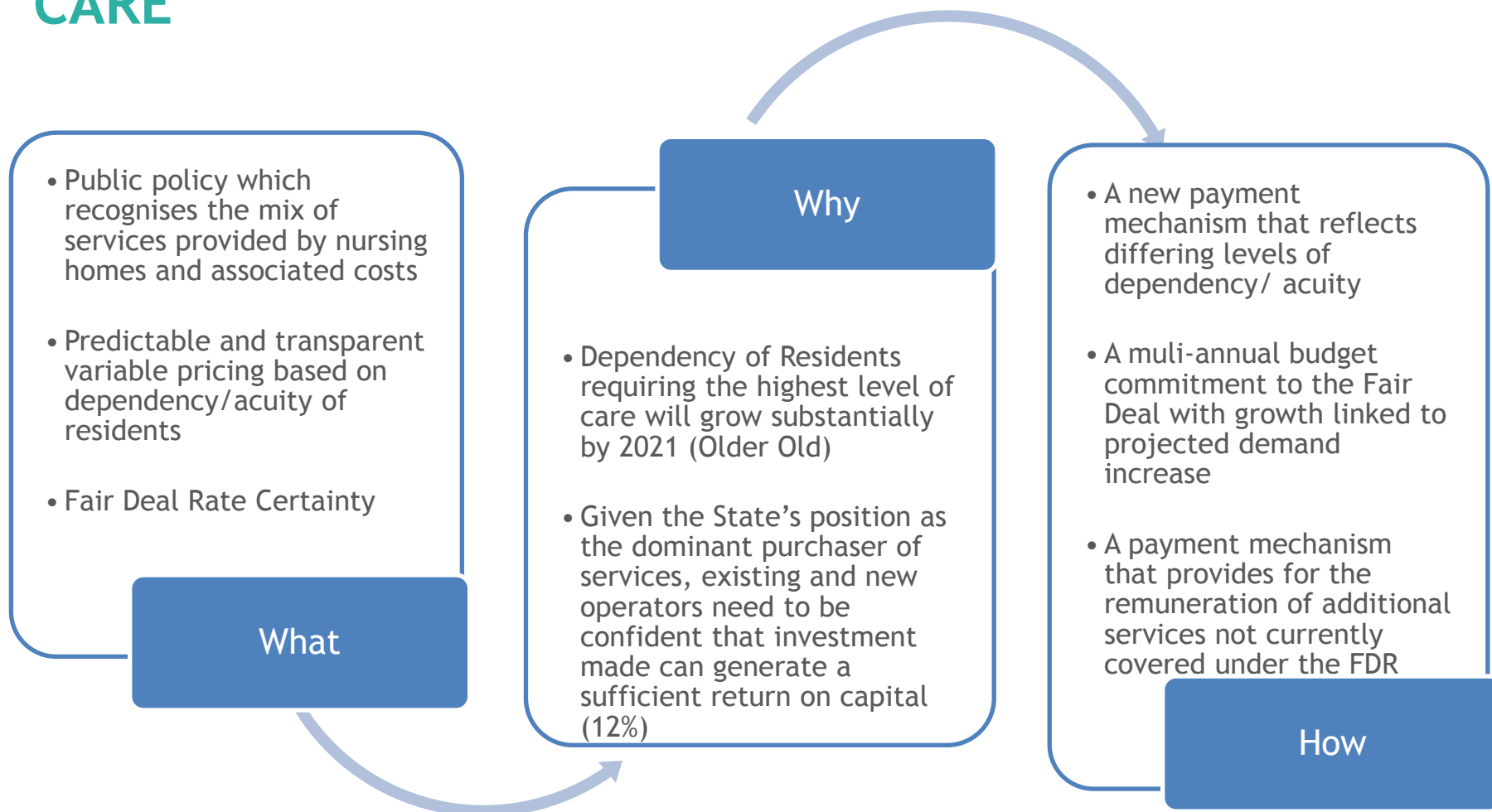
RECOMMENDATION 1- DEVELOP A CLEAR STRATEGY FOR THE SECTOR



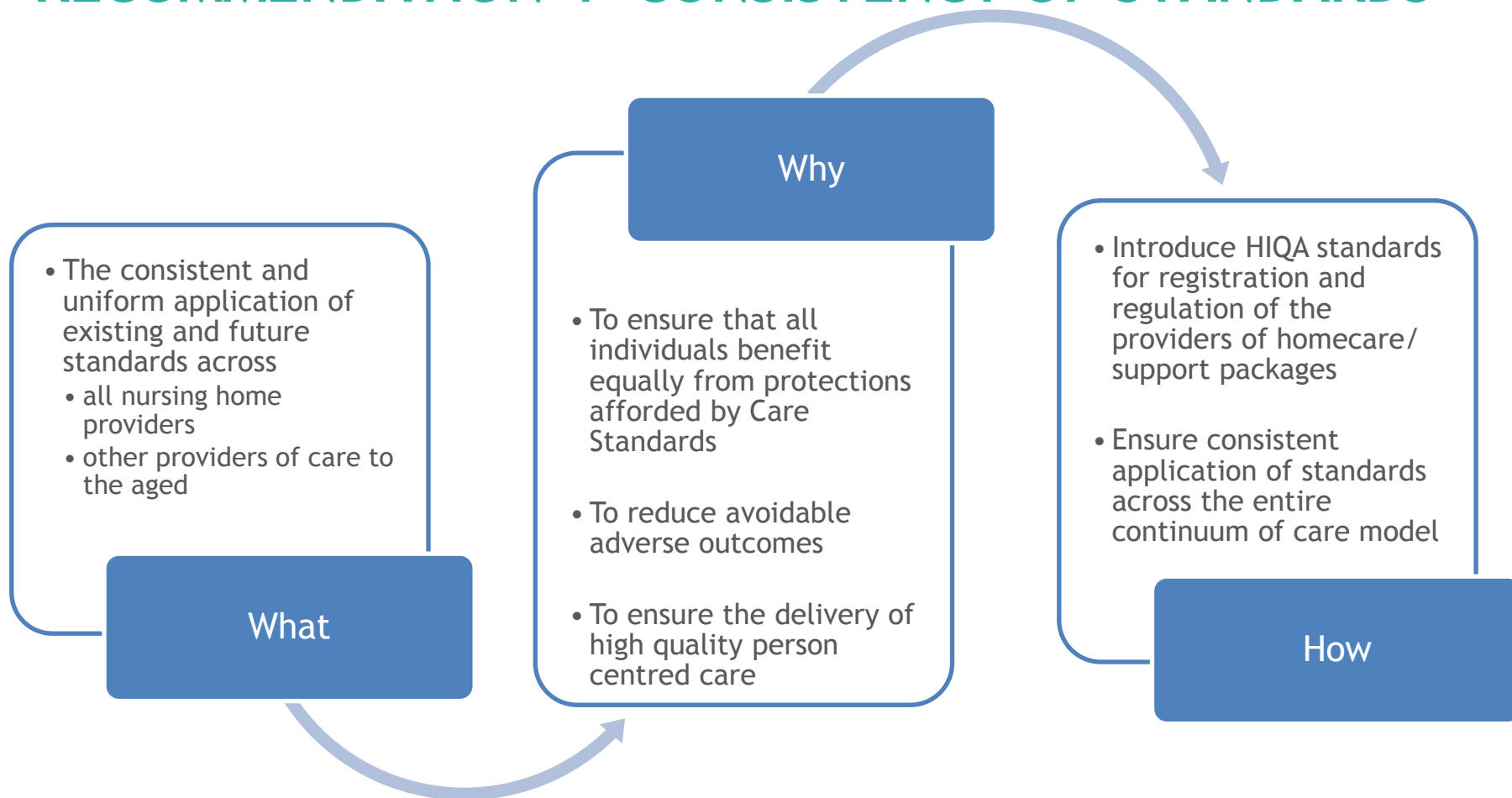
RECOMMENDATION 2 - MAJOR EXPANSION OF THE NURSING HOME SECTOR WILL REQUIRE STATE SUPPORT



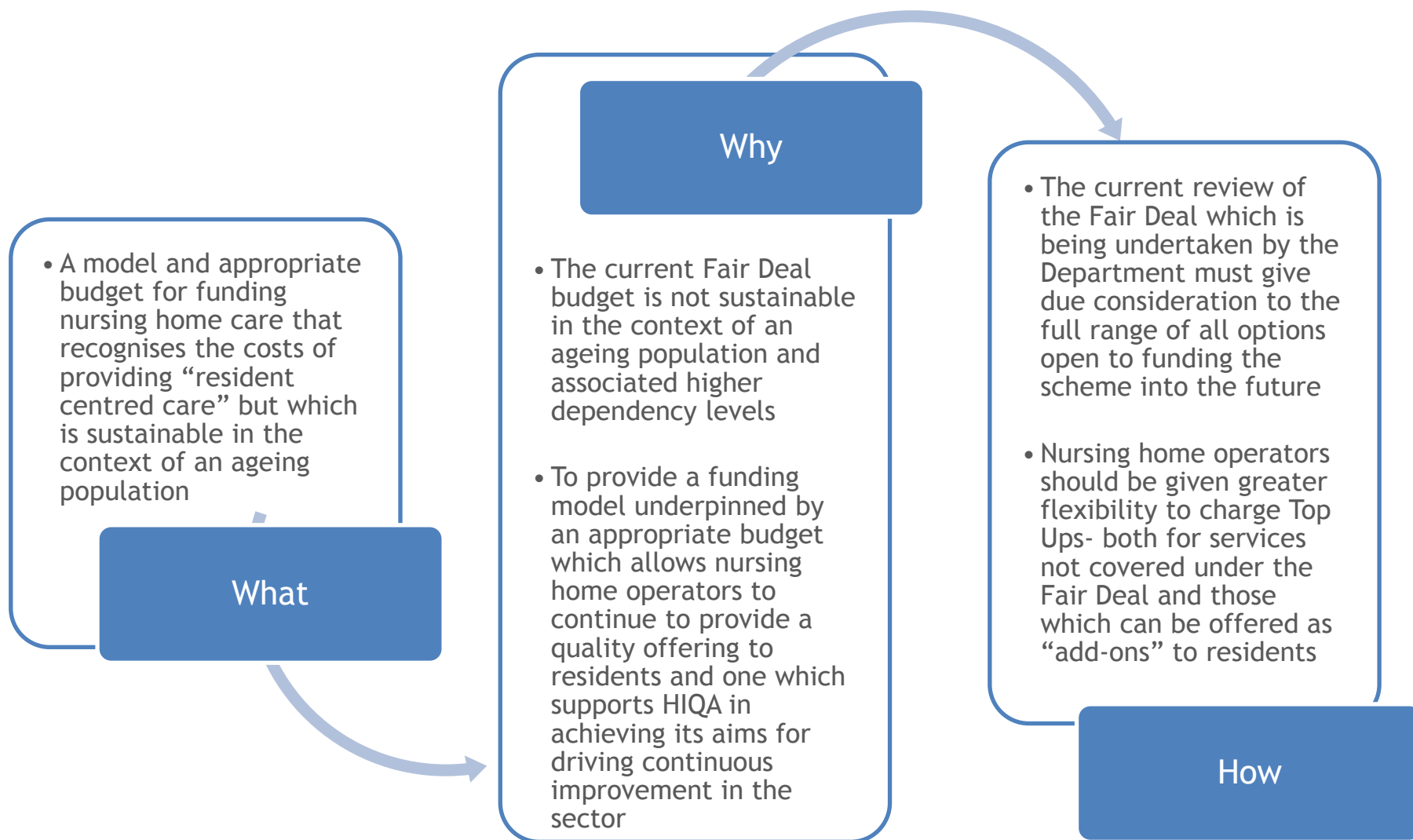
RECOMMENDATION 3 - A FAIR PRICE FOR APPROPRIATE CARE



RECOMMENDATION 4- CONSISTENCY OF STANDARDS



RECOMMENDATION 5- A SUSTAINABLE FUNDING MODEL



CLOSING THOUGHTS

- A demographic ‘Time-bomb’ awaits us - this is not hyperbole
- The basics - we lack a realistic national strategy which
 - clearly addresses how a ‘New’ Community based Model of Care will be developed
 - transparently documents likely demand and supply projections
 - credibly addresses the role for each party within aged care provision
- Current uncertainty re state funding for residents, reduces the willingness of the private sector to invest in the sector
- Where they would like to invest, access to debt and the ability to provide 25%+ equity, is for some, operating as a barrier to development
 - The level of private operator growth required will not happen without some form of state support for Capital Investment
- Nursing Home sector to explore, in consultation, with the Department and HSE, options for moving down the “continuum of care model” and in doing so meet the care needs and requirements of our ageing population

Thank you for your attention