



NURSING HOMES OUTLOOK



BUILDING A SUSTAINABLE FUTURE

AIB is in a leading position to support the Irish nursing home sector and help owners to future proof their business.



Anne Bannon
Head of Healthcare & Life Sciences,
AIB Business Banking



With an ageing population in Ireland, demand for nursing home beds is forecast to increase significantly in the future. However, the overall supply of nursing home beds has been relatively static over the past three years and is set to reduce in 2022 due to the closure of many smaller nursing homes around the country.

“Nursing homes have faced significant challenges over the past two years with the Covid-19 pandemic, staff shortages, increased regulation and cost inflation all impacting on the sustainability of the sector,” says **Anne Bannon, Head of Healthcare & Life Sciences AIB Business Banking.**

According to Anne, funding for the sector has not kept up with inflation. In 2022, the national average Fair Deal Rate (FDR) increased by 3.4% in the 12 months to September whereas the Consumer Price Index (CPI) for the period was 8.2%. In addition, CPI data shows that energy costs have escalated with electricity up 36%, gas up 53% and home heating oil up by 84% over the period.

She points out that smaller homes are particularly challenged as operating costs and regulatory pressures continue to increase in the sector:

“It is very difficult for small homes, in particular, to generate the funds required to invest in expansion,” she says.

“Almost all homes with less than 40 beds have FDRs (Fig.3) below the county average, even in counties where the FDR is well below the national average (Fig.2),” Anne says.

“These homes provide over 10% of

total bed capacity in the country and up to 20% of beds in some counties. They will need to secure significantly higher FDRs and/or scale up to remain viable in the future,” she adds.

While occupancy levels are high in many homes across the country, occupancy nationally (Fig.1) is lower than 2019 levels due to the impact of the pandemic. Occupancy levels in Dublin, Louth and Meath are impacted by a number of new homes still to fill up. “Occupancy levels should increase in all areas as pressure on hospital capacity increases in the coming winter,” she says.

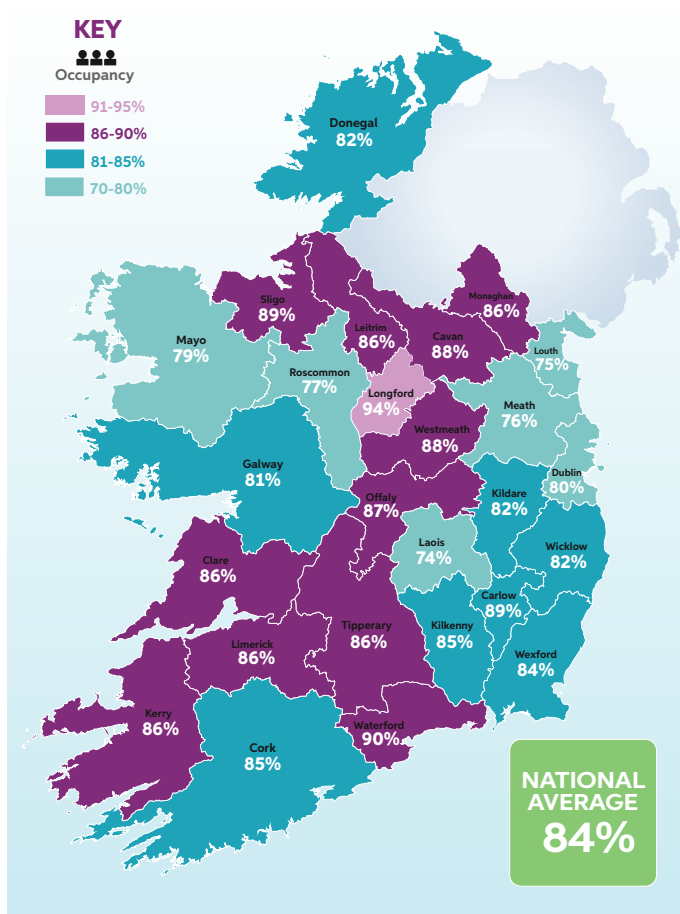
“To meet the challenges, it is now more important than ever that nursing home operators seek to future proof their business. While there has been a slowdown in the start of new builds and extensions due to the pandemic, operating and build cost inflation, the trend is towards larger homes which are more efficient and sustainable in the long term,” she adds.

“Post-Covid 19, homes with single ensuite rooms and space for infection control purposes are highly sought after. We are seeing operators, who have the resources, increasing bed capacity and the number of single ensuite rooms to get economies of scale and increase the value of the home,” Anne adds.

“In recent years, the sector has undergone significant consolidation with over 40% of private beds now owned by nursing home groups,” she says. “But it’s expected that there will be a slowdown in transactional activity compared to previous years,” she adds.

“Healthcare is typically resilient during downturns and the demand for quality nursing homes is expected to

Fig.1 AVERAGE OCCUPANCY RATES BY COUNTY



Source: HIQA Inspection Reports published and beds registered up to 30/09/2022.

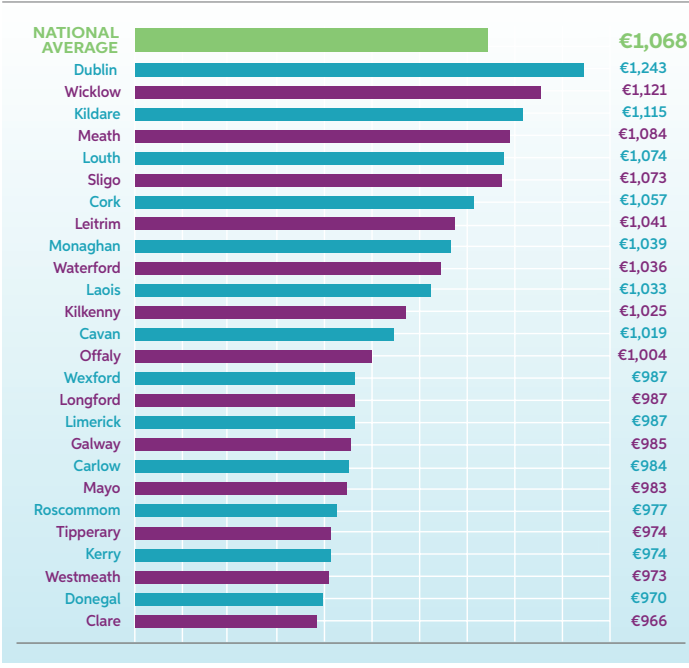
remain strong despite the deterioration in economic conditions. There are a number of groups in the market seeking acquisition opportunities to scale up their operations,” she adds.

According to Anne, sustainability in the context of the climate transition has become extremely important for

all industries including nursing homes.

“The energy inflation pressures have moved investment in energy efficiency and renewable energy initiatives up the agenda of many nursing homes. This has a dual benefit of reducing running costs and enhancing the value of a home. There is increasing evidence

Fig.2: FAIR DEAL COUNTY AVERAGES - 23 SEPTEMBER 2022



Source: HSE

“There is increasing evidence of a green premium for assets that display the best environmental, social & governance (ESG) credentials.”

of a green premium for assets that display the best environmental, social & governance (ESG) credentials,” she says.

New nursing home developments are aiming to have zero-energy buildings while existing homes are investing in energy-efficient systems including heat pumps, solar panels and high-efficiency LED lighting.

“At AIB we are acutely aware that we have a crucial role to play in supporting both individuals and businesses to make the climate transition. AIB has accelerated the development and rollout of products and services that assist customers in reducing their carbon emissions,” Anne says.

“AIB understands the key role nursing homes play in Ireland’s healthcare sector and we are committed to supporting their future development. We have a range of products and services available to help operators with business expansion, asset finance and working capital,” she adds.

“In addition to our Sector Specialist teams in both Business and Corporate Banking, we have dedicated relationship managers across the country who are keen to develop relationships with existing and new customers in the nursing home sector,” she concludes. ■

CASE STUDY

AIB customer and Haven Bay nursing home owner Owen O’Brien discusses his views about the sector.



Haven Bay nursing home, Kinsale. Inset: Owen O’Brien, Proprietor

With 127 beds in addition to 36 supported living apartments onsite,

Haven Bay nursing home, in the picturesque town of Kinsale, is one of the largest nursing homes in Munster.

Set up in 2007 by Owen O’Brien, who has a background in engineering, Haven Bay employs 120 staff while its state-of-the-art facilities also include a doctor’s surgery, a physiotherapist, a podiatry clinic and a hairdresser.

With support from AIB, Haven Bay has expanded its footprint in recent years. “We originally started out with just 79 rooms and the last extension, which gave us an additional 28 beds, was completed during the recent pandemic,” says Owen.

“Like most nursing homes, Haven Bay has to contend with a competitive labour market and rising inflation, but it has also taken steps to be a lot more sustainable and energy efficient in an effort to manage a key ongoing cost.”

Like most nursing homes, Haven Bay has to contend with a competitive labour market and rising inflation, but it has also taken steps to be a lot more sustainable and energy efficient in an effort to manage a key ongoing cost,” says Owen.

“We’ve always been fairly progressive when it comes to trying out new smart technology and new ways of doing things,” says Owen.

“So, when it came to examining all the options we had in terms of lighting and heating, we didn’t need persuading,” he adds.

“Initially, we started switching the older bulbs to LEDs. But we soon realised that we weren’t going fast enough, so we decided to change them all,” he says.

Owen says he also looked at a number of energy-saving options, including solar panels.

“We looked at solar; for example, but in terms of what we could do at the time, it just wasn’t right for our requirements. We also looked at heat pumps and longer term they probably have better potential,” he says.

“In the end we settled on four gas boilers which are a lot more energy efficient and half the size of what we had before. This has saved us money,” he says.

“We are also installing a smart control system which essentially predicts the temperature in different parts of the building at different times of the day. It then adjusts the temperature accordingly. Before this, the heating was being turned on and off for everything. This system only heats the rooms that need to be heated and removes human error,” Owen says.

Another key energy-saving investment was made during Haven Bay’s most recent expansion, says Owen. “We opted for triple-glazed windows in the new extension,” he says. “Again, this does make a difference,” he says.

While Owen says that Haven Bay hasn’t finished seeking out alternative energy-efficient technologies and systems, he says that one of the more obvious problems that has been solved is education.

“One of the most important things, we found, was educating ourselves about the need for energy management and efficiency in the first place whether it’s simple things like closing doors and windows or turning off lights when they can be turned off. But it also gave us a greater understanding that, often, these simple things have cost implications for the business,” Owen says. ■

AN IMPORTANT NATIONAL RESOURCE

As the recent pandemic has shown, the private and voluntary nursing home sector plays a key role in the provision of healthcare in Ireland, according to **Tadhg Daly**.



Set against a backdrop of a global pandemic, an ageing population with increased life expectancy rates and a sectoral-wide consolidation, including a number of closures, the Irish nursing homes sector and the country's healthcare policy makers face some considerable challenges over the coming years.

While the global pandemic tested the healthcare system to its limits, it has also shone a light on the important role that the country's private, voluntary and public nursing homes play in caring for the older person.

With 31,900 registered nursing home beds in Ireland, 26,500 of these (or 83%) are operated by the private and voluntary nursing homes, underscoring its current importance in the provision of health and social care in Ireland.

"It has been a difficult couple of years for the healthcare system across the board but specifically for nursing homes around the country," says **Tadhg Daly, Chief Executive of Nursing Homes Ireland (NHI)**, the industry organisation whose members operate approximately 90% of all private and voluntary beds in the country.

"But the sector has also shown remarkable resilience in the face of these difficult challenges and that was a testament to both the providers and staff," he adds.

"Looking back at the wider health and social care system over the last two and a half years, we have also seen the important role the private and voluntary sector plays in the overall healthcare system and, in particular, the need for it to operate as one, rather than operating in silos," he adds.

Acknowledging that this could take time, he says the nursing home sector faces more immediate challenges.

"The closure of multiple nursing homes over the last 12 months, for example, is a manifestation of long-standing warnings from NHI and other stakeholders that the State scheme responsible for nursing home care, the Fair Deal, is not commensurate with the reality of nursing home resident care costs," he says.

Tadhg also refers to a report published by HIQA in August 2022 which noted the decline in the number of smaller nursing homes. The HIQA report also noted that some of these nursing homes closed due to "difficulties in terms of financing and resources," while it also pointed out that the COVID-19 pandemic and regulations on premises which came into effect at the end of 2021 have also had an impact.

This was also one of the key findings of a report published by BDO in association with NHI. "The closure of smaller nursing homes is a manifestation of the squeeze being placed upon all nursing homes, with the Fair Deal fee payable regardless of the reality of regulatory and resident care costs," he says.

Another immediate and ongoing challenge the sector faces is the recruitment and retention of staff, says Tadhg.

"Staffing is the big issue across the wider health service, not just nursing homes. We know other sectors within the wider economy are also facing similar challenges, but nursing home care is a 24/7 business unlike other sectors where, if there is a staff shortage, they might be able to reduce their opening hours," he says.

When it comes to the recruitment of health-care assistants and nurses, for example, NHI members are also competing with the wider HSE, he says. "But they can't compete when it comes to salaries that are on offer in other parts of the health service," he adds.

"Again, this is due to gross inequality in the funding of nursing home care through the Fair Deal scheme, with State nursing homes receiving fees that are double those payable to private and voluntary counterparts for commensurate care," says Tadhg.

While the recruitment challenge is the biggest issue facing many private nursing home operators, Tadhg adds that the Fair Deal funding regime for care of the older person in Ireland continues to discriminate in favour of HSE-operated nursing homes and he points out that this was one

of several findings contained in the "Value for Money Review of Nursing Home Care Costs" (VFM Review) published by the Department of Health in December 2021.

"It confirmed what we already knew in that the fees payable to HSE nursing homes are considerably higher than those paid to private nursing homes with the differential being as much as 62%. But it also dispelled the myth that there was a difference in the dependency levels, compliance and staffing levels between the private and public nursing homes. Ultimately, this pricing differential is having an impact on the sustainability and viability of some businesses in our sector," says Tadhg.

In addition, ongoing inflationary pressures within the economy are also of concern to the sector, Tadhg adds.

"If it's not addressed, it's going to lead to more closures and less capacity as the private sector will no longer be able to compete," he adds.

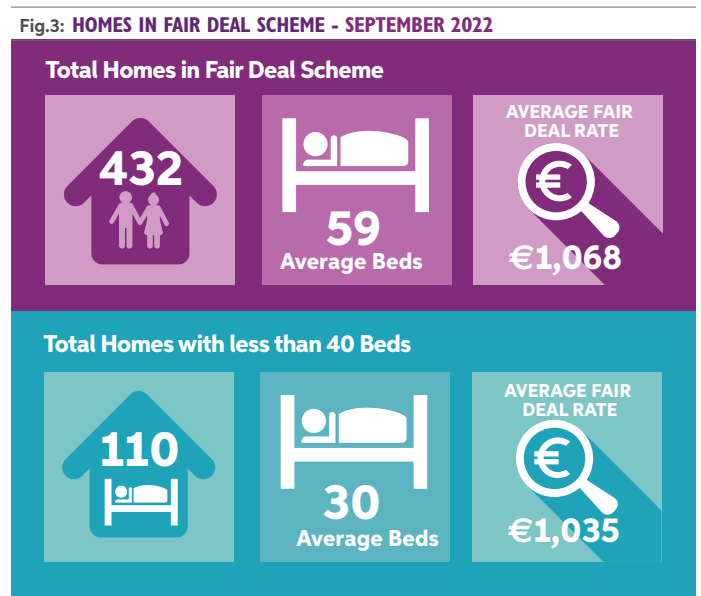
"While the recent budget provided additional support to mitigate the unprecedented inflationary pressures in respect of energy, it is a temporary measure and does not address the underlying issues of underfunding,

What is now required is a focus on the longer-term solution that puts private and voluntary nursing home care on an equal footing with the public HSE nursing homes and delivers the investment that matches the scale and severity of the challenges," he says.

"Given the critical role of the nursing home sector in a well-functioning health service together with an ageing population, there is an immediate requirement to address the underfunding of nursing home care," he adds.

"The sector has been frustrated by the Government's inaction in recent years, despite our best efforts and its own reports which acknowledged some of the underlying problems," he says.

"This current crisis with nursing home closures must provide impetus to bring into effect a coherent policy on care for older persons and a fit for purpose, person-centred funding scheme that recognises the reality of nursing home care costs. The last thing we need is to be looking back in five or ten-years' time and wonder why we didn't do anything about it sooner," concludes Tadhg. ■



Source: HSE and HIQA up to 30/09/2022.

CASE STUDIES

Two AIB customers and nursing home owners share their views about the sector.

Since opening its doors for the first time in 1985, **Ryevale Nursing Home in Leixlip, Co. Kildare** has expanded from being a 13-bed facility into one of the biggest nursing homes in the country with 172 beds spread over five purpose-built and interconnected units

Ryevale is a family-owned and family-run nursing home, led by **Eileen Gallagher** who started her nursing career in the UK before returning to Ireland to set up the nursing home with her husband Anthony. Eileen now works with four of her children who are also actively involved in the day-to-day running of Ryevale. In addition, her two sisters also work for the business as do other extended family members.

"We have five children and four of them work in the business and have done so, since they were teenagers. Three are nurses so that's a big help but it really is a family business," says Eileen.

With over 170 staff, Ryevale is also one of the biggest employers in the area while it has also provided



Ryevale Nursing Home, Leixlip, Co. Kildare

"With over 170 staff, Ryevale is one of the biggest employers in the area."

many local people with the opportunity to gain experience in the healthcare sector; says Eileen.

"Down through the years, we've had lots of local people in transition year or just looking for work experience come to us and some of them have later gone on to study nursing. The last time I counted, around 15-20 of these people went into nursing careers, so that's great," she says.

But attracting full-time staff however, is always challenging, she says.

"We are competing with the HSE and unfortunately, it's not a level playing field. The reality is our fees are paid by the National Treatment Purchase Fund (NTPF) and it means that we are always working on a tight budget. Our Fair Deal rate has gone up by only 1.6% over the last five years. Inflation alone over this period has gone through the roof yet

there is no recognition of this from the NTPF even after it saw the pressures the sector had to deal with during the different COVID outbreaks," Eileen says.

"For the NTPF, it's all about horse-trading when it comes to striking the Fair Deal rate. They are not interested in how much you have to spend on capital costs, the dependency levels of residents or huge bills for rates, which HSE-run nursing homes are exempt from. So, they are really only interested in doing a deal and there is no logic to the reasoning used. It's a disgrace," she says.

"Sometimes it can be extremely stressful trying to keep it all going. Yet we still manage to provide an excellent level of care due to our great team of staff, as well as the input and dedication of the family who work really long hours. There are a lot of private nursing homes in the same boat," she says.

"I strongly feel the Government needs to look at this and overhaul the financing of long-term care facilities because the nursing home sector is at breaking point and the manner in which it has been treated is shocking," she concludes. ■

Located in **Killimor in east Galway, Killimor**

Retirement Home is set to double in size by the end of 2022.

Previously home to 35 residents, the nursing home has been operated by the Fahey family for the last 22 years. In February 2022, the family completed a major investment in a new purpose-built and state-of-the-art expansion, including en-suite bedrooms for residents. Now, a second expansion is underway and is due to be completed by the end of 2022.

With finance provided by AIB, this expansion will see the number of beds nearly double to 70 while staff numbers will also increase from 55 to around 65 over the coming months.

"When complete, we will have one of the most modern facilities in the



country," says **Brian Fahey, Managing Director**

(pictured) of the nursing home.

"Generally, it's very difficult to finance new extensions, especially in rural areas like where we are located. You'll see

some expansions from time to time but rarely with the quality and scale of what we've done," he says.

Like most nursing homes around the country, Killimor Retirement Home has had to contend with many challenges including a competitive labour market.

"Thankfully, we have met with success when it comes to recruiting our nursing staff, all of whom are from India. Our director of nursing, who is also from India, started as a junior nurse and has worked her way up and she is excellent. We currently have eight nurses from India, and she has

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recruited all of them. So, it's worked out quite well. But when recruiting, we are talking about a four-month lead-up time, so we have to plan our recruitment very carefully in advance to make sure we are not short-staffed. Of course, the HSE is also very active and will head-hunt from us, but even so our overall churn rates are much lower than the industry average," Brian says.

"Another fundamental issue that was exposed during the pandemic, particularly during the first phase, was the need for greater partnership and cooperation and the integration of a lot more services with nursing homes and the entire health care ecosystem," he adds.

"I think more people were conscious of the fact that the nursing home sector, particularly the private and voluntary sector, was impacted most severely during the first wave of Covid-19," he says.

"I think the big lesson we have all learned is that we need deeper engagement and better communications between regional and community HSE teams, hospitals and nursing homes. We have an opportunity to increase collaboration and integration for the benefit of residents, patients and all concerned. I think a forum where we could all meet on a regular basis would boost this collaboration and enhance our shared understanding of the issues," he concludes. ■

The commentaries from Owen O'Brien, Eileen Gallagher and Brian Fahey are the view / opinion of the customer not the Bank.

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