

# Long-Term Care Sector

## 2020 H1 Insights

### Summary

On 11 March 2020, the World Health Organization declared COVID-19 a pandemic and noted its alarming levels of spread and severity. The pandemic illustrated the vulnerability of our health system and its supply chain as it bore the full brunt of Covid-19 and responded quickly to "flatten the curve" and save lives.

### Nursing Home Supply

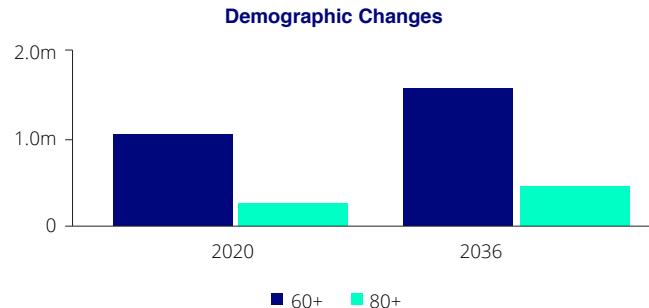
- Long-term residential care is provided by the private / not for profit (NFP) and public sector in 585 nursing homes with c. 31,969 beds. (Jan 2020)
- In 2019, six nursing homes (146 beds) were closed, 10 new nursing homes were opened and 14 nursing homes opened additional beds resulting in a net increase of 4 homes and 718 beds.
- We continue to see consolidation in the market with 36% of homes now in groups of 2 or more, with the Health Information and Quality Authority (HIQA) register showing a change of ownership for 22 nursing homes.
- This consolidation has been driven by the emergence of significant investment from large institutions with a long-term outlook such as AXA, InfraVia, Orpea, Primonial, Euryale and IMMAC, retirement of a number of smaller operators and the entrance of international operators into the market.
- There are currently 8 new homes with c. 1000 beds under construction; four of these homes are in Dublin. There are also extensions with an additional c.300 beds planned/ under construction.

### Long-term Care Demand

- In order to understand the market and future demand, Bank of Ireland analysed and projected the needs on a county by county basis drawing from each county's unique demographic profile, Fair Deal uptake, existing beds, beds in planning, under construction and those that may be decommissioned. We also considered occupancy levels, resident profile and the possibility of the introduction of a regulated homecare scheme.
- Our review projects a 2026 demand for c.37,000 beds across the country; an increase of an additional c. 5,100 beds.

### Demographics and the impact on healthcare

- Ireland's population is now catching up with other European countries; by 2026 the population is projected to increase by 13% from 4.95m to 5.7m.
- The number of people aged 65 years is projected to increase by 52% from 975k in 2020 to 1.48m in 2036.



- Projected population increases are greatest for older ages with the population aged 80 and over set to increase from 170k in 2020 to 343k in 2036, an increase of 102%. This will have a profound impact on the demand for healthcare services with the Health Service Capacity Review (2018) projecting a 70% increase in the demand for home care and a 33% increase in demand for residential long- term care, by 2031.
- Spending will continue to be driven by our growing population, clinical and technology innovation, and competitive labour market. The Department of Health project demographic changes alone will increase health costs by between 1.4% and 1.6% annually.

### Covid - 19 Impacts

- Nursing homes have certainly felt the Covid-19 headwinds, as initially the focus was preparing the acute hospitals for the projected surge of Covid-19 with limited attention given to the nursing home sector. In preparation, 1,363 patients were approved for transfer from acute hospitals to private nursing homes in March 2020, a 70% increase on the number of people transferred in 2019. At that time, only those patients who were showing signs of Covid-19 were tested for the virus.
- Evidence from international Covid-19 outbreaks identified significant levels of mortality and morbidity in high-risk groups and facilities such as long term residential care homes. In Ireland, we know from previous studies, that c. 80% of residents in nursing homes are >80 years, many with complex medical needs and cognitive impairment.
- HIQA identified to the National Public Health Emergency Team

(NPHE), specific nursing homes (both public and private), where the operator would be challenged to effectively manage outbreaks with increased risks associated with multioccupancy rooms, insufficient bathrooms, and minimum day/dining space.

- During the pandemic, mass testing was carried out and showed that 56% of all nursing homes remained Covid-19 free and the great majority of the 30,000 residents never contracted the virus. However, 18% of residents of nursing homes had a confirmed diagnosis of Covid-19; of these four out of every five residents who tested positive for the virus recovered. However, tragically, despite all the best effort of staff and operators, in a numbers of homes some residents who died were positive for the Coronavirus but HIQA research found that some of these residents were already close to their end of life or their cause of death may have been due to other factors.
- Nursing Home operators reported increases in costs including overtime, retention initiatives and extra hours for carers and nursing staff to provide 1-1 care for residents in isolation as well as costs for additional cleaning hours for deep cleans to reduce Covid- 19 spread and the purchase of Personal Protective Equipment (PPE).
- The Government has provided additional funding to support all residents in private and NFP nursing homes during the pandemic through a Temporary Assistance Scheme.



# Long-Term Care Sector

## 2020 H2 Outlook

### Summary

In the long term, the good news is we are all living healthier and longer. By 2036, our over 80 population will increase from 170k in 2020 to 343k with the ESRI projecting a 39% increase in demand for residential long term care alongside a 70% increase in demand for homecare services. The non-cyclical nature of ageing, the level of regulation and the favourable demographics will result in continued growth and investment in the sector. However, in a post Covid world, it is likely that there will be changes to the models of care for older people and the regulatory approach. Bank of Ireland will continue to support care led models where an alignment of interests from residents to borrower is evident.

### Post Covid Outlook

Post Covid there are a number of areas that will impact the outlook for the sector:

- The Report of the Expert Panel on Nursing Homes:** established by Government, to examine the complex issues surrounding the management of COVID-19 among this particularly vulnerable cohort is due in August. The Report is expected to provide immediate real-time learnings and recommendations in light of the expected ongoing impact of COVID-19 over the next 12-18 months.
- Programme for Government (PFG):** In order to learn from Covid, a Commission on Care to examine care and supports for older people is proposed. Consideration may be given to the model of care for older persons, the configuration of service delivery and regulatory models, congregated environments, clinical governance, a safe staffing framework and the role of the health services alongside the role of other State bodies and the private sector.
- Introduction of a regulated Homecare Scheme:** Research shows that people prefer to age at home and the PFG includes the introduction of a statutory scheme for regulated home care. Innovative nursing home operators, with their experience of regulation, may be best placed to provide home care services.
- Regulation:** The current model of regulation of nursing homes, in place since 2009, is built on the premise of the registration of a designated centre and not on the model or type of service provided. HIQA have previously proposed a service-based model of registration supported by a suite of regulations specific to each model of care. A move to a service model regulatory approach matched with a reimbursement model could provide opportunities for operators to differentiate their services.
- In a post Covid world, it is possible that regulations may change to require the reconfiguration of homes to manage the prevention and control of infections and may include self-contained units and single ensuite bedrooms to facilitate isolation. This may result in reduced bed numbers and accelerate the deregistration of some homes, particularly homes where occupancy levels have dropped considerably, costs risen and significant investment will be required to reconfigure and future proof the home to meet regulations – this may account for >40% of current homes.
- Consolidation:** This will continue with a focus on acquisition of quality 'fit-for-purpose' nursing homes. It is reported that Orpea S.A is to acquire a 50% stake of Brindley Healthcare. Orpea confirmed their purchase of the TLC nursing home group of 5 homes operating 674 beds.
- There may be some opportunities for co-operative type models where single operators can contribute centrally to build capacity and capability in areas such as clinical leadership, quality, regulation and infection control.
- Rising build costs has led to the capital value of greenfield nursing homes, once operational, being lower than the development costs – this may result in new homes not being built in counties with demographic demands. However, there are currently c.1,000 beds in development.
- Innovative operators are looking to provide the continuum of care in the communities as they align with the Slainte Care strategy. Pre Covid, we are seeing operators proposing extensions with "own door" access and smaller self-contained units in community settings. This trend is likely to continue.

### Headwinds

- Occupancy:** The World Health Organization has recommended that hospitals operate at 85% and although there are no specific recommendations I expect that most homes may be required to keep a number of isolation beds so occupancy going forward maybe on a 90- 93% basis. This will vary depending on configuration and isolation facilities.
- Financial:** Costs in the sector will continue to increase, in particular staff costs as a result of the introduction of the "living wage" and mandatory pension costs. Regulatory requirements will also result in increased costs. The Temporary Assistance Payment Scheme has been extended for a further 3 months

(July, August and September) to provide support to nursing homes and contribute towards their continued planning, preparedness and response to COVID-19.

- Premises:** Operators may have to reconfigure homes and/or build extensions to meet regulatory requirements and best practice guidelines in infection prevention and control.
- EBITDA:** I project that homes may experience a 2-4% drop in EBITDA margin in the absence of any change of reimbursement model. This will of course depend, inter alia, on home type, bed numbers, configuration, Fair Deal rate, bed supply and of course the availability of a vaccine.

### Funding Activity: What we expect to see

We expect to see extensions and reconfigurations of existing homes to meet both demand and regulatory standards.

### Bank of Ireland

Bank of Ireland understands the challenges faced by the nursing home sector as a consequence of the Covid-19 outbreak. We are a strong supporter of the sector and in particular those care models where there is an alignment of interest from resident to borrower. We will continue to work closely with our customers and communities to enable them to thrive in the coming year as they adapt to the "Next Normal".

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Hilary joined Bank of Ireland as Head of Health in 2014 and has supported healthcare providers to grow and scale their businesses. She held previous roles as Head of Healthcare Regulation in HIQA, Patient Safety Advisor at World Health Organization. Her extensive senior clinical and business experience gives her a unique understanding of clinical, regulatory and financial aspects of healthcare. Hilary originally qualified as a nurse and holds an MBA from UCD, post graduate qualifications in Risk Management, Corporate Governance, Regulatory Crime and Business and Executive Coaching.

**Sources:** Central Statistics Office, Competition and Consumer Protection Commission, Source: Department of Health, Economic and Social Research Centre, Health Information and Quality Authority, Health Protection and Surveillance Centre, Health Service Executive (HSE), National Public Health Emergency Team, Organisation for Economic Co-operation and Development, Programme for Government, World Health Organization.

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