

# Bank of Ireland ROI Sectors Team

## Health Sector 2018 Review and Outlook

2018 has seen increased sale activity in the Nursing Home sector with quality homes achieving price multiples of 8-10 times adjusted EBITDA.

### Health Sector 2018 Review

#### Ireland's population – People are living longer

- ▶ People are living longer; as can be seen by the changes in the population aged over 65, rising by 102,174 to 637,567, an increase of 19% since 2011.
- ▶ This is especially evident in the male population which rose by 53,523 (22%) to 296,837 compared with an increase of 48,651 (16.7%) to 340,730 for females. In long-term care settings, female utilisation rates exceed male rates at all ages over 75
- ▶ In addition, the 2016 census recorded 456 centenarians, an increase of 17.2% on 2011.
- ▶ Over half a million of those aged over 65 years live in private households, while the census recorded 22,762 living in nursing homes an increase of 9.4% since 2011.

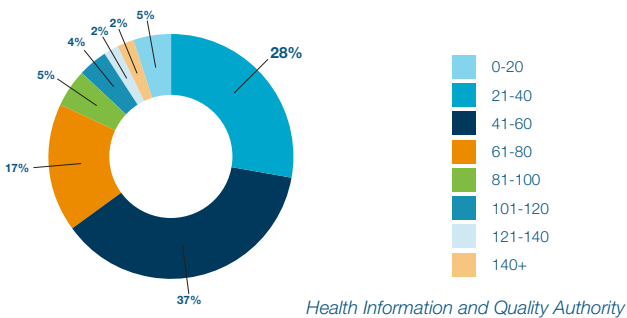
#### Nursing Homes

- ▶ In May 2018 there were 578 public, private and voluntary nursing homes with c. 30,739 beds, registered by the Health Information and Quality Authority (HIQA), in Ireland.

2018 Registered Nursing Home / Bed Census			
2018	Public	Private	Voluntary
Nursing Homes	122	384	72
Beds	6,015	21,350	3,392

- ▶ 321 (50%) of the private and voluntary nursing homes have less than 60 beds, with 33% of these having less than 40 beds.

#### Nursing Homes by Size (Private and NFP)



- ▶ The private and voluntary nursing home sector has grown by 66% over the last 15 years from 14,946 beds in 2003 to 24,742 in 2018. However, since 2016, there has only been a net increase of 1,154 beds.

### 2018 Health Sector Developments

#### Nursing Home Support Scheme (Fair Deal)

- ▶ The publication of the review of how the National Treatment Purchase Fund negotiates prices with private and voluntary nursing homes under the Fair Deal scheme is awaited.
- ▶ At 2017 year end there were 18,236 people financially supported by Fair Deal in private and voluntary nursing homes with an average €945 fee paid per resident per week.

#### Home Care Services

- ▶ Minister Jim Daly announced that he is working with the Department of Health and the Department of Housing to provide community-focused hub developments for older people. These are described as a stepdown in-between model of care with supports on site such as day centres, meal-on-wheels, which would be serviced by the HSE.

- ▶ The Institute of Public Health's Report: Improving Home Care Services in Ireland: An Overview of the Findings of the Department of Health's Public Consultation, published in June, found there was broad support for the Government's proposal to create a new regulatory environment for home care services.

#### Primary Care

- ▶ The Government's increased focus on expanding capacity in the primary care sector has resulted in an increase in the number of planning permissions for Primary Care Centres (PCCs).
- ▶ There are currently 114 PCCs operational with 31 locations under construction or development, at advanced planning or underway for design/planning purposes and 44 PCCs at an early planning stage.

#### Regulatory

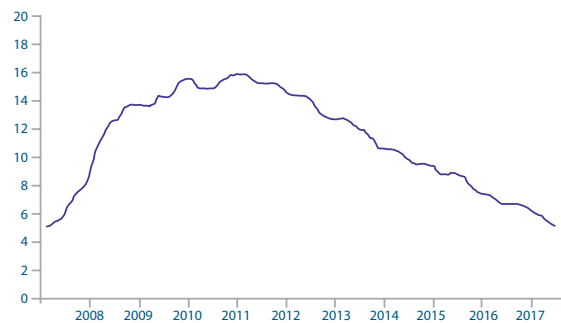
##### Health Information and Quality Authority (HIQA):

- ▶ The HIQA Overview of 2017 HIQA regulation of social care and healthcare services reported many nursing home providers are now striving to exceed basic compliance with regulations and are looking to achieve quality improvement by meeting the National Standards for Residential Care Settings for Older People in Ireland.

#### Staffing

- ▶ The sustained decrease in unemployment rates continues to add pressure for recruitment in the health sector particularly in the long-term care sector.

#### Seasonally adjusted unemployment ROI



### 2018 Health Sector Market Activity

#### Nursing Homes

- ▶ There is renewed investor interest seeking to raise finance and enter the nursing home market with existing operators continuing to scale up through extensions and/or acquisitions.
- ▶ This interest has resulted in increased sale activity with quality future-proofed nursing homes achieving price multiples of 8-10 times adjusted EBITDA.
- ▶ The Beechfield Care Group which includes 3 nursing homes, Mount Hybla in Castleknock, Beechfield Manor in Shankhill and Glengara Park in Glenageary, was acquired by the German-based IMMAC group for a deal reported to be in the region of €33 million.
- ▶ Care Choice, owned by French investor fund InfraVia, purchased Ardmore Lodge Nursing Home for a reported €15 million.
- ▶ Bartra Capital Property Group purchased a nursing home site near Beaumont Hospital and commenced the building of 123 bed Loughshinny Nursing Home.
- ▶ Onecare Vision, part of the Delsk Group opened 89 bed Kilcoole Lodge nursing home.
- ▶ Clearbrook Nursing Home with 90 beds in Finglas was opened in February.

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## Health 2018 Review and Outlook

A positive outlook for the health sector with consolidation continuing in the nursing home sector; refurbishment and extensions to existing homes; and Primary Care Centre developments. However, headwinds in relation to staffing and increasing costs.

### Health Sector Outlook

#### Market

- ▶ Continued growth in the healthcare sector is projected given the CSO forecasts and the recent review of demand and capacity which outlined the demographic and non-demographic drivers of healthcare demand.
- ▶ Projected population increases are greatest for older ages. The population aged 80 and over is projected to increase by c.130k from 2015 to 2030.
- ▶ The projected growth in people aged >80 forecast over the next 15 years will have a profound impact on the demand for healthcare services with the average cost of care for older persons being two to three times that of the average Irish person.

#### Nursing Homes

- ▶ The Economic and Social Research Institute (ESRI) projects demand for long-term and intermediate care resident places to increase by between 40 - 54% by 2030, from a level of 29,000 in 2015.
- ▶ The recently published Health Service Capacity Review 2018: Review of Health Demand and Capacity in Ireland to 2031 projects that a further 10,000 long-term residential long care beds will be required by 2031. However, these projections are based at a national level rather than county level that takes account of each county's unique population profile. In addition, the projections do not take account of the number of nursing homes that may be at the end of their life cycle

#### Home Care Services

- ▶ The demand for home help hours is projected, by the ESRI, to increase by between 38 - 54% by 2030, from a level of 14.3m in 2015.
- ▶ The ESRI projects demand for home care packages to increase between 44 - 66%, an increase of c.10,000 packages.
- ▶ The Government move towards funding people to stay at home has seen innovative operators providing day services and outreach services to older people in the community.

#### Primary Care

- ▶ The demand for GP visits is projected to increase by 20-27 % by 2030, from 17.55 million in 2015; and demand for practice nurse visits is projected to increase by 26-32% by 2030, from 5.94m in 2015.
- ▶ An additional 13 PCCs are scheduled to open in 2018.

### Potential Headwinds

#### Health Sector Staff

- ▶ Nursing Homes are reporting challenges in recruiting and retaining healthcare assistants. Nursing Homes Ireland (NHI) has called on the government to remove the role of healthcare assistants from the Ineligible Categories of Employment for Employment Permits List on a controlled basis to source healthcare assistants from outside the European Union.

- ▶ Home care providers are also reporting challenges in recruiting and retaining carers.
- ▶ The ESRI highlighted the close relationship between the public and private sectors in Irish health and social care and the need to take a single system approach to understand the inter-relationships of need, demand, supply, and demography and population health. Such an approach is required to understand the future staffing requirements given 80% of long-term nursing home care is provided by the private long term care sector.

#### Costs

- ▶ While the CSO indicates general inflation is running at an annual rate of just 0.2%, new figures from the Society of Chartered Surveyors Ireland (SCSI) indicate that construction tender prices will rise by 7% this year following a 6.2% rise in 2016, bringing prices back up to 2008 levels.
- ▶ Average costs of building new beds have risen over the last 4 years by c.75% from c. €90k per bed to c. €160k per bed. The average increase of Fair Deal rates for the same period has been 3.9%.
- ▶ Central Bank of Ireland recently announced that wages are expected to "gain further momentum", increasing by an average of 3.3% for 2018 and 2019.
- ▶ The Living Wage Technical Group, an independent group backed by unions and social justice bodies has pegged a new 'living wage' rate at €11.90 an hour.
- ▶ Consequently, although future nursing home bed demand requirements have been projected, the expected level of building of new homes in counties with lower Fair Deal rates may not materialise as the capital value of greenfield nursing homes once operational may, as a result of the Fair Deal rates and increased staff costs, be lower than the development costs.

### Funding Activity: What we expect to see

#### Nursing Homes

- ▶ Strong pipeline of re-finance, extension and upgrade proposals will continue to develop in 2018.
- ▶ Increased sale activity with quality 'fit-for-purpose' nursing homes achieving price multiples of 8-10 times adjusted EBITDA.
- ▶ Continued interest among the new international and domestic investor entrants to increase their portfolio size and exit of some single home owner operators.
- ▶ Existing operators likely to refinance to extend and refurbish homes.

### Bank of Ireland

- ▶ Bank of Ireland, as the leading lender to the healthcare sector, has the proven financial capabilities and appetite, combined with comprehensive sectoral expertise to meet the funding requirements of the sector
- ▶ Our people have an in depth understanding of the complexities and realities of the sector and the insight required to help customers and communities anticipate, adapt and thrive.



## Hilary Coates

### Head of Health Sector

Hilary joined Bank of Ireland as Head of Health and Life Sciences in 2014 and has supported healthcare providers to grow and scale their businesses. She held previous roles as Head of Healthcare Regulation in HIQA, Principal Consultant at PA Consulting, Patient Safety Advisor at World Health Organization and Head of Healthcare Business in Allianz Ireland. 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, and Regulatory Crime and is currently studying for a Professional Diploma in Business and Executive Coaching at UCD Michael Smurfit Graduate Business School.

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**Sources:** Central Statistics Office; Health Information and Quality Authority; Institute of Public Health; Health Service Executive; Department of Health