



Bank of Ireland Sectors Team Health 2024 H1 Insights and 2024 Outlook

September 2024



**Bank of
Ireland**

Classification: **Green**

Summary

By 2040, Ireland is expected to have around one million additional residents.¹ Expanding services for the health and well-being of this growing population is a stated government priority, with further progress made towards a model of universal healthcare in H1. Developments in the Sláintecare plan have included expanding access to GP and primary care services, enhancing the scope of the pharmacist, and facilitating the move of some residents from institutional to community-based care more appropriate for their needs. There has also been further integration of digital, AI, and assistive technologies in efforts to enhance healthcare services.

The sector continues to experience familiar challenges, including workforce shortages, staff accommodation, waiting list pressures, and the need for increased funding to support growth and sustainability. The health and social care budget for 2024 was originally set at €23.5bn, reflecting a 4.6%YOY increase, with an additional allocation of €1.5bn subsequently required.²

Despite the ongoing challenges, the outlook for the sector remains strong. There is a commitment to improving access, quality, and equity, with a growing reliance on private sector investments to address capacity demands.

Key Sector Trends

Nursing Homes

The Nursing Home sector, boosted by higher Fair Deal Rates (FDR), the €25k Resident Safety Improvement Scheme and a more stabilised workforce, is displaying continued signs of recovery. A notable trend in the sector is the move towards diversification, with some nursing home groups, now comprising almost 50% of the market, expanding into or considering specialised services such as dementia care, rehabilitation, complex disability support, and home care services.

Whilst the consolidation trend continues, H1 has seen reduced merger and acquisition (M&A) activity, likely linked to regulatory uncertainties and cost pressures. Operators are now focusing on upgrading existing facilities and expanding capacity. Closure rates have decreased, with five facilities deregistered so far this year, compared to seven in 2023. Certain operators have reported challenges with the Operating Company/Property Company (OpCo/PropCo) structure, leading to rent reduction negotiations. Operating company, Passage Healthcare, for instance, has ceased operations at their two Dublin homes, attributing this outcome to escalating operational costs.

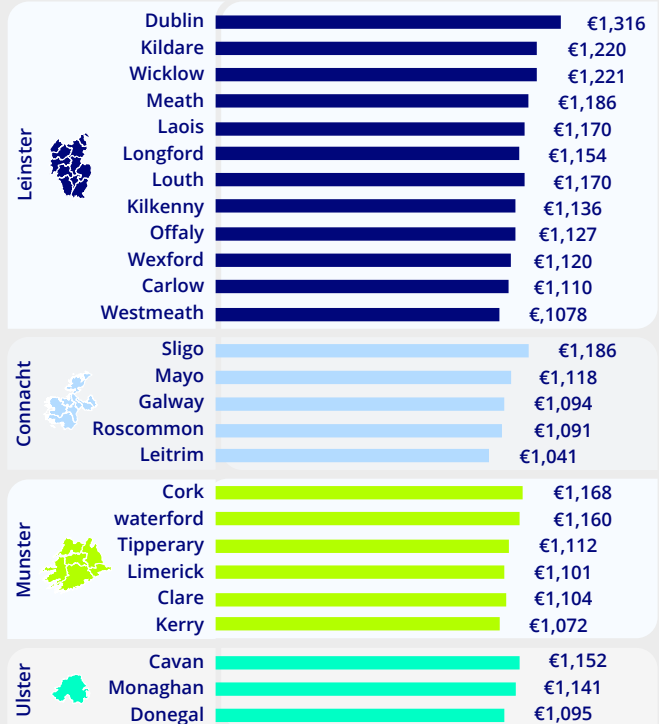
The YOY Fair Deal Rate (FDR) increase of 5.5%, compares to 4.7% for the previous year, with the national average FDR increasing from €1,109 to €1,175.³ Many operators report that this increase, though welcome, still lags behind the actual operational costs which, according a Nursing Homes Ireland commissioned report, increased by 36%.⁴ Regional rate variations are still marked, with Dublin having the highest FDR (€1,316) and Leitrim the lowest (€1,041). This differential of €275 per resident per week, would equate to an annual income differential of €886,600 for the average sized 62 bed nursing home.



The 2023 Increased Cost of Business (ICOB) grant assisted small businesses with commercial rates up to €30k. However, 2024 has seen substantial increases in commercial rates, with some operators reporting hikes up to +150%. Local authorities rely on commercial rates as a major source of income, making up around 26% of their total revenue.⁵

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Average FDR per County/Province



Given the competition for staff and the reliance on inward migration, an ever-increasing practice among nursing home operators, both independent and groups, is to provide accommodation for their employees, either through purchasing or renting houses. Staffing pressures continue to challenge the sector as a whole and, with the HSE recruitment pause lifted in July, there is likely to be a shift of staff from the private to the public sector.

Valuations

Whilst there has been a reduction in the valuations of nursing homes, with reduced EBITDA multiples being paid, particularly for older homes with lower bed numbers, poor room mix and compliance issues, there is evidence of stabilisation in the sector. With further interest rate reductions expected there is potential for higher valuations.

EBITDA Multiples

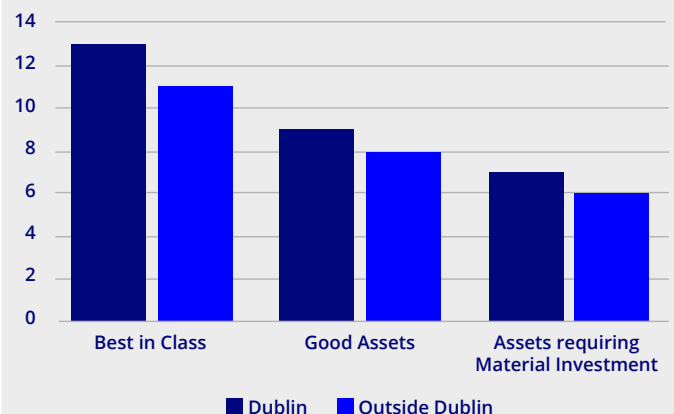


Table 1: Nursing Home Valuation Multiples, (PKF Brenson Lawlor, June 2024)

2024 Private Nursing Homes Opened, Under Construction & Closed

| Openings | Operator | County | Beds |
|-----------------------------|--------------------------------|----------|------------|
| Sugarloaf Care Centre | Silver Stream Healthcare Group | Wicklow | 119 |
| Dunshaughlin Care Home | Grace Healthcare | Meath | 96* |
| Curam Care Home Carrigaline | Curam Care Homes | Cork | 111 |
| Kilkenny Care Centre | Mowlam Healthcare | Kilkenny | 90 |
| Leopardstown Care Centre | Mowlam Healthcare | Dublin | 101 |
| Total | | | 517 |

| Under Construction | Operator | County | Beds |
|-----------------------------|--------------------------------|----------|------------|
| The Residence Kilkenny | Emeis (formerly Orpea) | Kilkenny | 80 |
| The Residence Portmarnock | Emeis (formerly Orpea) | Dublin | 151 |
| Virtue Stepside | Virtue Integrated Care | Dublin | 119 |
| Coolmine Sligo Nursing Home | Coolmine Caring Services Group | Sligo | 105 |
| The Naul | Éire Care (Simply UK) | Dublin | 99 |
| Clonattin Nursing Home | Amhola/Axis Construction | Wexford | 96 |
| Rolestown Nursing Home | Amhola/Axis Construction | Dublin | 90 |
| Total | | | 740 |

| Closed/De-registered | Operator | County | Beds |
|-----------------------------|---------------------------------|----------|------------|
| Lucan Lodge | Passage Healthcare | Dublin | 74 |
| Sally Park Nursing Home | Passage Healthcare | Dublin | 41 |
| Fingal House | Independent | Dublin | 17 |
| Aperee Living Callan | Aperee Living Group | Kilkenny | 60 |
| Kylemore House Nursing Home | Notice of closure / Independent | Wicklow | 38 |
| Heatherfield Nursing Home | Independent | Meath | 30 |
| Total | | | 260 |

* Currently 38 beds registered

Disability

In Ireland, just over 9,000 adults with disabilities currently require care in residential facilities. Primarily this care is provided by voluntary organisations and the private sector (89%: 1,585 facilities with 9,089 beds), with the HSE operating 163 facilities with 982 beds (11%).⁶ Additionally, an estimated two thousand adults are already in need of, or will soon require, residential services, with 80% currently under the care of a primary caregiver, more than half of whom are aged over 60 years.⁷

The disability sector continues to align with Sláintecare through transitioning individuals from institutional (congregated) settings to regular homes with personalised support (supported living), shared by no more than four individuals, along with support staff. Residential placements are predominantly long-term, with average length of stay in excess of 15 years. Some placements offer short stay/respite care and/or emergency support during crisis situations.

This year's health budget includes a specific allocation of €10m for such services, enhancing existing provision and improving access to respite within homes. With a stated aim of improving disability services, €2.8bn was allocated to the Department of Children, Equality, Disability, Integration and Youth (DCEDIY), an increase of 65% over seven years.⁸



Overview of people engaging with disability services⁷



Adult Disability

31,698 records reviewed



9,089 adults living in Residential Settings

Adult Demographics



17,170 male

54%



14,528 female

46%

Primary Disability



60%
Intellectual disability

56% male
44% female

17%
Neurological

45% male
55% female

34% **34%** **32%**

18 - 34 years 35 - 54 years ≤ 55 years

7%
Autism

77% male
23% female



Adult Residential

1,932 places required

Health Research Board (HRB), 2024

An estimated 60% is allocated to residential services, with the HSE increasingly procuring services from private providers as often they are the only cohort with HIQA-approved capacity. Private and voluntary registered providers are funded by the HSE through 'section 38 arrangements' (fully funded) or 'section 39 assistance' (through a service level agreement).

There is strong demand for residential services and a shortfall of capacity, with this demand projected to grow considerably in light of both demographic changes and current unmet needs.⁹ Furthermore, at year end 2023, there were 1,532 people who remained living in congregated settings, such as nursing homes or other institutions.¹⁰ This shortfall in provision is primarily driven by a lack of capital investment by the HSE and voluntary providers. Disability services represents a small but growing for-profit sector, with significant further growth potential.

Pharmacy

Despite facing challenges in 2023, the pharmacy sector has seen improvements in the first half of 2024, including a more stable labour market, reduced reliance on locum cover as well as lower interest rates. Furthermore, the sector's post-pandemic positioning has pharmacists leveraging their profession as accessible clinicians, enhancing their role in primary healthcare. The Expert Taskforce, established by the government to explore expanding the scope of the pharmacist, has recently published recommendations proposing that pharmacists be authorised to prescribe for, initially, eight specified conditions or minor ailments.¹¹



Various training, operational and regulatory adjustments are first required though, with the intention for these to be in place by early 2025. Reimbursement for prescribing services was not within the scope of the Taskforce and remains a matter of government policy. This has potential for additional revenue streams similar to the NHS 'Pharmacy First' scheme which was launched in the UK in January.

It is anticipated that the day-to-day work of pharmacies will evolve to more patient-facing primary care, by offering consultations for these conditions, prescribing medicines and advising on holistic health and wellness. Community pharmacies have longer opening hours than GP surgeries, including weekends and holidays, making them more accessible and have potential to alleviate GP workload. According to a recent Ipsos survey, there has been a 50% rise in the number of patients opting to have private consultations with pharmacists, increasing from 15% to 22%.¹² EY forecasts that, by the end of the decade, pharmacies will undergo a significant transformation in their physical layout, shifting away from dispensary-centric setups with more emphasis on providing treatment and more space for consultations.¹³ This projected evolution is expected to lead to an increased utilisation of pharmacy consultations and create new opportunities for business growth in this sector, potentially resulting in additional remuneration for the expanded services offered.

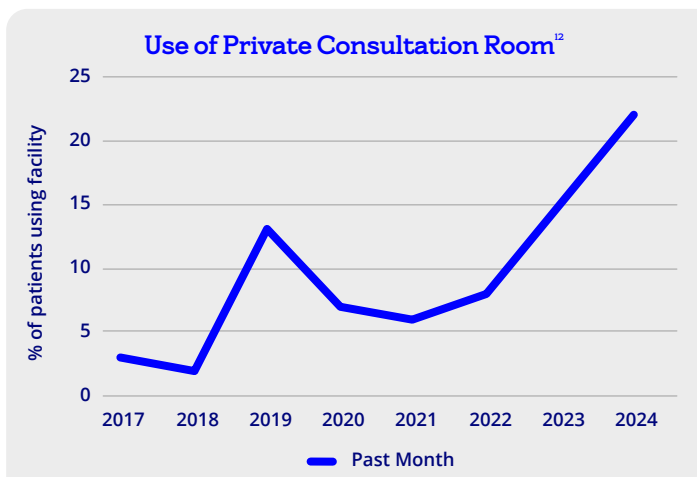


Table 2: Public attitudes towards pharmacy: 2024 survey
IPU Review July / August 2024



A standard pharmacy design typically covers approximately 158 sqm, with about half for the prescription / dispensing area and half front of shop. It is thought a minimum of 6.5sqm would be required for a dedicated patient care area.¹⁴

Transactional Landscape

A review of pharmacy transactions carried out by intermediary firm Fitzgerald Power, analysed just under a hundred transactions.¹⁵ The majority, approximately 73%, of transactions involved independently owned businesses, with symbol groups comprising around 23%.

Valuation analysis of transaction's the firm were involved in over the three year period indicated an average EBITDA multiple of 4.78x. Further analysis based on revenue ranges demonstrated that the multiple rise increase corresponded with higher turnover levels.

H1 has been an busy period for the sector with a particularly active period in terms of transactions, with this expected to remain elevated for the remainder of 2024.

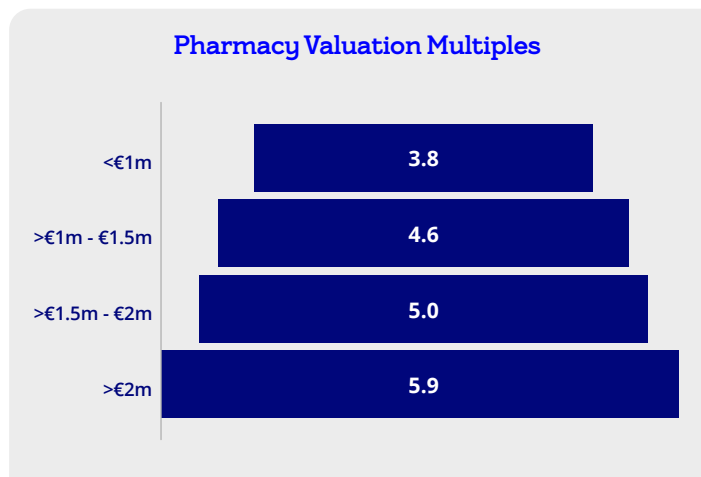


Table 3: Pharmacy Valuation Multiples, (Fitzgerald Power, June 2024)
*Note: data based on IM presentation, not actual multiple ultimately achieved.

Funding Activity

The post-covid rebound continues, showing a strong trend of credit approvals and drawdowns reported for H1 2024 with a significant year-on-year increase across various healthcare sectors including pharmacies, nursing homes, GP practices, disability and diagnostic services.

The healthcare sector is witnessing a busy transactional landscape, evidenced by numerous pharmacy acquisitions and store revamps. There is an uptick in nursing home applications seeking refinancing, funds for development projects, regulatory compliance work, and energy upgrades. The home care and disability sectors are also seeing heightened activity, reflecting targeted government funding aligning with policy objectives.

Bank of Ireland

In the coming months and years, the healthcare system will need to strengthen collaborative working across partner organisations. Strong leadership will be required to deliver sustainability changes, drive improvement, and encourage innovation. Bank of Ireland understands the challenges faced by private health companies across the sector. We are a strong supporter of innovative change and will continue to work closely with our customers and communities to enable them to thrive in the current headwinds.

2024 H2 Outlook

The demand for healthcare services is bolstered by significant demographic shifts. The healthcare sector outlook in Ireland is highly favourable, with ongoing initiatives to enhance healthcare services, accessibility, and infrastructure, supported by increased government spending. Efforts are concentrated on improving patient/resident care, operational efficiency, expanding capacity, and addressing issues like waiting times and staffing shortages. Technological advancements, including Artificial Intelligence (AI) and digital health solutions like Electronic Medical Records, are set to streamline operations and drive transformation.

However, disparities exist within the health sector, with certain segments poised to excel more than others. While there is optimism for continued Fair Deal Rates increases, nursing home operators may face challenges due to rising operational expenses and high employee turnover rates. Forward-thinking businesses that align with government priorities are well-positioned to grow and capitalise on opportunities in the evolving healthcare landscape.



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Sources:

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- ² Our National Service Plan 2024, HSE, February 2024
- ³ Irish Nursing Home Sector, Q2 2024, PKF Brenson Lawlor
- ⁴ Challenges for Nursing Homes in the Provision of Older Persons Care, PwC, May 2023
- ⁵ Overview of the Rates Revisions in Local Authorities, Value for Money Unit Local Government Audit Service, Dept of Housing, Local Government & Heritage, December 2023
- ⁶ Disability Services | HIQA
- ⁷ HRB Bulletin, Overview of people engaging with disability services, 2023. C. Casey, S.Fanagan, M. O'Sullivan, N. Caffrey, & E. Lynn.
- ⁸ Our National Service Plan 2024, HSE, January 2024
- ⁹ Disability Capacity Review 2032, Department of Health, July 2021
- ¹⁰ Disability Services - Tuesday, 9 Jul 2024 - Parliamentary Questions (33rd Dáil) - Houses of the Oireachtas
- ¹¹ Expert Taskforce to Support the Expansion of the Role of Pharmacy Final Report, Department of Health, July 2024
- ¹² Public attitudes towards pharmacy: 2024 survey, IPU Review, July/August 2024
- ¹³ How pharmacy innovation could change patient lives | EY UK, November 2023
- ¹⁴ The evolving role of pharmacies in healthcare real estate Market Report, Life Sciences Real Estate, February 2024
- ¹⁵ Irish Pharmacy Sector, M&A Activity 2023, Fitzgerald Power, June 2024

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Starting your Sustainability Journey



Sustainability Leadership

For all health businesses, be it a single pharmacy or nursing home group, appointing an ESG lead or forming a committee, with responsibility for ESG, is a good starting point. Integrate sustainability principles into the business strategy.



Employee Health, Safety and Wellbeing

Invest in your care team through a universal commitment to growth and support. Encourage career advancement and opportunities that empower staff to realise their potential in a culture of belonging that is inclusive, celebrates diversity and supports wellbeing.



Energy Management

Better understand your business costs and emissions by undertaking an energy audit. Review your energy contract and supplier, and ensure you are on the best tariff. Look to upskill all staff, boosting energy-saving practices by adding a module to your training matrix. Consider installing LED light bulbs and/or motion sensors.



Better Buildings

Ensure your building's energy demand is as low as possible. Look to improve airtightness, install better quality windows and/or increased insulation. Evaluate the business case for investing in renewable energy to meet that demand, for example installing solar technology, heat pumps etc.



Community Connections






Go beyond business as usual by connecting with groups such as Mens Sheds, Community Gardens and Creches, as well as involving local businesses and families with social events and activities. These efforts improve overall wellbeing and strengthen the business's reputation and credibility.



Biodiversity

From window boxes to gardens, all can be a haven for insects, birds, and other animals. Gardens and courtyards can be transformed through engaging in sustainable activities such as planting pollinator friendly plants and native trees. This can also offer meaningful ways to bring health businesses and the wider community together.

Online Resources:

-  SEAI Energy Academy | SEAI
-  HSA Learning – free online training for you and your employees
-  Carbon Calculator | Carbon Toolkit 4 Business (climatetoolkit4business.gov.ie)
-  Enterprise Ireland (enterprise-ireland.com)
-  <https://greenhealthcare.ie/>
-  Royal Pharmaceutical Society, RPS Greener Pharmacy Guide

We're here to support business customers to transition to net zero.

For more details check out our [Business Green Hub](#)

