The gap between the demand and supply of nursing home beds in Ireland is increasing. The long-term care sector is facing significant challenges to meet the expected demand for beds by 2021.

**Nursing Homes 2015 Key Trends**

- **Increased activity:** In recent years, there have been very few sales of nursing homes. However, an uptake in activity was evident in 2015, with a number of investor groups entering the sector, coupled with owner operators wishing to exit the business.
- **Consolidation:** The majority of private nursing homes in Ireland are operated under a traditional owner operator model. Consolidation is becoming a feature of the sector, with a number of operators looking to achieve efficiencies and economies of scale.
- **New models:** Emergence of a European model in which an operator is the tenant and a private investor or healthcare fund is the developer and owner of the building.
- **Incorporation:** Transitioning from a sole trader or a partnership to a company is a key trend.

**2015 Key Sector Developments**

**Nursing Homes Support (Fair Deal) Scheme**

- The Fair Deal Scheme currently supports c.24k people in nursing home care, set to increase to c.33k by the end of 2024.
- 79% of nursing homes are reliant on Fair Deal income.

**Fair Deal Review**

- A review of the Fair Deal Scheme, published in July 2015, found that the Scheme is an effective contributor to the long-term care needs of older people, but that in line with the preferences of older people generally, a range of other supports are required to enable older people to remain living at home for longer or in adapted accommodation.
- The review did not consider Fair Deal payments alignment to resident dependency levels, rather it recommended that this is reviewed in 18 months.
- The future financing of the Scheme was considered and the Government decided to make no changes in this area.

**The Future of Nursing Home Facilities in Ireland**

- The Report by DKM Economic Consultants, published in December 2015, found that a supply gap is emerging in the sector and nursing home places will need to be expanded considerably over the next 20 years to meet the demands of an ageing population.

**HIQA Standards**

- In November 2015, Minister for State at the Department of Health, Kathleen Lynch TD, announced a revised policy to ensure all public nursing homes will be compliant with HIQA’s environmental standard by the end of 2021.
- Retaining a 20% presence in the sector, in line with government policy, will involve a significant cost for the State over the coming years.

**2015 Nursing Home Sector Activity:**

- In 2015, planning was approved for 28 new nursing homes with 2,614 beds.
- Nursing homes activity: strong increase in lending demand with Bank of Ireland Business Banking approvals for Nursing Homes in excess of €80m.
- Lending linked to existing operators buying out investors at the end of tax incentive partnerships; greenfield sites; incorporation; refinancing and refurbishment.
2016 Long-Term Care Sector Outlook: Positive with headwinds in relation to staffing

Market
▶ Continued growth in the sector is projected due to the ageing population, recognised shortage of nursing home beds and the 2015 planning approvals. DKM estimate that approximately 700 private sector beds will be added in both 2016 and 2017, mostly in the Dublin area.
▶ The Government’s move towards funding people to stay at home may see some operators providing day services and outreach services to older people in the community.
▶ Shortages of beds in acute hospitals may provide opportunities for nursing home operators to provide short-term contract beds.

Staffing
▶ Nursing homes are reporting challenges in recruiting and retaining staff, in particular nurses. This is due to the lifting of the embargo on staff recruitment by the HSE; extraordinary delays in nurse registration by the Nursing and Midwifery Board of Ireland (NMBI) and lack of adaptation programmes necessary for nurses coming from outside the EU.
▶ The shortage of nursing staff, and in particular Directors of Nursing / Persons in Charge, in a highly competitive employment market has resulted in increased salaries, which in turn will impact on operator margins.
▶ The minimum wage increases will impact on 2016 profitability, with proposals for further wage increases (living wage) presenting further challenges.

Consolidation
▶ The entry of investors may see some existing owner operators with single homes taking the opportunity to realise their investment and exit the sector, resulting in operator consolidation.
▶ Group operators will continue to increase their portfolio size through acquisitions and / or new builds.

Government Investment
▶ In January 2016, the Minister announced a programme of investment in 90 public nursing homes (4.7k beds) to ensure all public nursing homes will be compliant with HIQA’s environmental standard by the end of 2021.
▶ The investment is made up of €148m in the current HSE Capital Plan and a further €237m capital made available under the Government’s multi-year Capital Investment Plan to 2021.
▶ The programme includes spending up to €150m to upgrade 10 existing nursing homes, for which public private partnerships (PPP) or alternative funding arrangements will be considered.

Investors
▶ Strong interest among the international and domestic investor community seeking to raise finance and enter the market.
▶ The Employment and Investment Incentive (EII) Scheme provides income tax relief for investment by individual investors in nursing homes.

Funding Activity – What we expect to see...
▶ The strong pipeline of re-finance, new build and upgrade proposals observed in 2015 will continue to develop in 2016.
▶ A number of existing operators seeking to buy out investors at the end of tax incentive partnerships.
▶ Greenfield site nursing homes will be driven by local demographics and demand for long-term care beds.
▶ As the leading lender to the healthcare sector, Bank of Ireland recognises the potential that the long-term care sector presents in 2016. Our proven financial capabilities and appetite, combined with comprehensive sectoral expertise, led by our Head of Health and Life Sciences, provides us with a unique platform to meet the funding requirements of the sector.

Hilary Coates
Head of Health and Life Sciences

Hilary joined Bank of Ireland as Head of Health and Life Sciences in 2014. In this role, Hilary is responsible for the continuing development of the Bank’s strategy to support customers across this key sector.

Hilary brings extensive health industry knowledge and experience from her twenty-five years working in the sector in Ireland and internationally. She originally qualified as a nurse from St Vincent’s University Hospital, has an MBA from Smurfit Business School and post graduate qualifications in Corporate Governance and Risk Management. Hilary’s recent roles include Management Consultant in PA Consulting, Head of Healthcare Regulation in HIQA and Patient Safety Advisor to the World Health Organization.

Sources: CSO, NHI Report, DKM Economic Consultants, Irish Times, Department of Health.

For credit products, lending criteria, terms and conditions apply.

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