

Chapter 48

Nursing Home Care Costs

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48.1 The cost of long-term residential care is borne on subhead B.12 in the Health Service Executive Vote for 2010. It amounted to €59 million in that year. Figure 189 sets out the cost components of the Long-term Residential Care Subhead allocation for 2010 and the outturn.

Figure 189 Long-Term Residential Care Cost 2010

	Estimate ^a		Outturn
	€m	€m	€m
Nursing Homes Support Scheme		148	238
Subvention and contract beds		308	228
Public Facilities ^b			
- Pay	209		
- Non-Pay	314	523	493
Cost to 31 December 2010		979	959

Notes: a Revised Estimates for the Public Services 2010.

b Public facilities exclude five voluntary nursing facilities which were funded from subhead B.5 of the HSE Vote at a cost of €82.4 million in 2010.

48.2 Included in the cost of the Nursing Homes Support Scheme (NHSS) for 2010 is €8.5 million by way of ancillary support to residents³⁹⁶. This involves the State meeting certain costs on a loan basis for which the resident is liable in cases where the property portion of means is not immediately liquid. At the end of April 2011 a total of 3,386 loan applications had been received which represented 16% of all the NHSS applications.

48.3 At the end of 2010, 21,698 nursing home places for long-term residential care were supported by the State as set out in Figure 190.

Figure 190 Nursing Home Places at 31 December 2010

	End 2010	End March 2011
Private beds	10,229	11,458
Public beds	6,600	6,446
Subvented beds	2,478	1,940
Contract beds	2,391	2,285
Total^a	21,698	22,129

Note: a Excludes approximately 400 beds in voluntary facilities.

48.4 2010 was the first full year of operation of the new NHSS which had commenced on 27 October 2009. A key objective of the scheme is to equalise State support for public and private long-term residential care and ensure that long-term residential care is affordable to those who need it.

³⁹⁶ This is known as Ancillary State Support.

48.5 The NHSS replaced an existing subvention scheme for residents in private facilities which had been in operation since 1993. Under the subvention scheme a person availing of a private long-term care bed could be entitled to a subvention based on a means test but was otherwise obliged to meet the full cost of care. Up to the date of the introduction of the NHSS a person who obtained a public long-term care bed paid long-term residential charges, as provided for in law, towards the cost of care at specified rates³⁹⁷.

48.6 Under the existing arrangements, the State effectively met 40% of the (estimated average) cost of care in a private facility and around 90% of the cost of care in public facilities. Prior to the commencement of the NHSS public beds constituted approximately one third of long-term residential care beds but this proportion has been decreasing over time.

48.7 The high cost of private nursing home care even after taking account of subvention was also seen as a significant contributory factor in the number of delayed discharges from the acute hospital sector. In order to avoid delayed discharges reaching an unacceptable level, the Health Service Executive (HSE) often had to contract beds in private nursing homes.

48.8 The features of the NHSS are set out at Annex A.

48.9 The role of the HSE as scheme administrator includes

- undertaking assessments of the care requirements and financial means of scheme applicants
- providing financial support to qualifying applicants
- determining applications for nursing home loans (Ancillary State Support) and liaising with the Revenue Commissioners in relation to the repayment of those loans
- undertaking reviews and appeals.

Chapter Focus

This chapter examines

- the arrangements in operation for procuring private nursing home facilities under the Nursing Homes Support Scheme and the relative cost of facilities
- how the HSE is managing the cost of nursing home care
- the inspection arrangements for nursing homes.

³⁹⁷ Up to the commencement of the NHSS the Health (Charges for In-Patient Services) (Amendment) Regulations 2008 provided that for persons availing of in-patient services on premises where nursing care was provided on a 24 hour basis they would be charged at the lower of €153.25 per week or the amount of their weekly income less €44.70. Separate rates applied where nursing care was not provided on a 24-hour basis.

Procurement of Private Nursing Home Facilities

48.10 Payments to private³⁹⁸ nursing facilities are paid directly by the HSE to the proprietor at prices which have been agreed through a negotiated process.

48.11 The National Treatment Purchase Fund Board (NTPF)³⁹⁹ is designated by virtue of Section 40 of the Nursing Homes Support Scheme Act 2009 (the Act) to negotiate and agree prices on the cost of long-term residential care services with approved private and voluntary nursing home owners. The Act envisaged that the NTPF would set maximum prices in respect of approved nursing homes. When agreement is reached it supplies the results to the HSE.

48.12 In view of the reference to set maximum prices in the governing legislation I enquired of the Accounting Officer as to why the price notified is always that paid. The Accounting Officer stated that Section 41 of the Act provides that the NTPF is '*to make arrangements with a person it considers to be appropriate, being a proprietor of a nursing home, relating to the price at which long-term residential care services will be provided by such person to persons requiring such services and who are in receipt of financial support under the Nursing Homes Support Scheme Act 2009.*' The Act goes on to state that these arrangements shall be notified to the HSE who may publish such information relating to those arrangements as it considers appropriate.

48.13 Since the scheme commenced, the HSE had not been advised by the NTPF that the prices agreed with approved nursing homes were the maximum prices agreed and that these prices could be re-negotiated. It is the HSE's view that it does not have the power to re-negotiate prices agreed with approved nursing homes as under Section 40 of the Nursing Homes Support Scheme Act 2009, price negotiation for cost of care in approved nursing homes is a function of the NTPF (as designated by the Minister) and not the HSE. As a result, the HSE has implemented the prices agreed between the NTPF and approved nursing homes at the rates as notified by the NTPF. However, he noted that due to the scheme's financial difficulties this year the HSE has suspended the implementation of further increases in prices as notified by the NTPF since 12 May 2011, pending a review of the current arrangements.

NTPF Procurement Procedures

48.14 Prior to the commencement of the NHSS, the NTPF advertised publicly and wrote to all nursing homes regarding its role in the establishment of prices under the Act. It reached agreement with over 430 private nursing homes on prices. Since then, further updates on prices have been agreed and supplied to the HSE and, by early 2011, over 440 approved nursing homes representing almost all private and HSE funded voluntary nursing homes in the State had pricing agreements with NTPF.

48.15 Each pricing agreement is set out in a written deed of agreement showing, *inter alia*

- the definition of long-term residential care
- responsibilities of the contracting parties (the nursing home proprietor and NTPF)
- the maximum agreed price.

³⁹⁸ These include certain voluntary nursing homes funded under section 39 of the Health Act 2004.

³⁹⁹ The cost to the NTPF of its involvement in the administration, negotiation, maintenance and review mechanism of the NHSS is approximately €250,000 per annum.

48.16 The NTPF stated that it considers pricing proposals of private and voluntary nursing homes taking account of

- costs reasonably and prudently incurred by the nursing home
- the price previously charged and
- the local market price.

48.17 It stated that, in determining prices its staff rely on visits to facilities, examination of records including accounting and cost information, occupancy rates and their knowledge of costs and prices both locally and in general. In the event of a dispute, a process has been developed to facilitate a review of any inconclusive pricing discussions.

48.18 Agreements run for a period of at least one year with some extending over a number of years. When the agreement falls due for renewal the process is repeated by the NTPF and a new agreement signed.

48.19 No standard pricing model or template was applied by the NTPF in determining prices. Levels of dependency were generally not taken into account in this process.

Cost Management

48.20 The HSE reported to the Department of Health at the end of March 2011 that the NHSS was running at a level which was above its funded budget. Amongst the factors cited as contributing to the budgetary difficulties were

- an increase of 4% to 5% in the NTPF prices agreed with private nursing homes above that estimated, which would give rise to €20 million additional costs on a full year basis
- the requirement⁴⁰⁰ of backdating arrears payments which if it were to continue would cost €6 million in a full year
- a lower than expected rate of reduction in subvention and contracted beds
- the average length of stay of residents had increased to an estimated four years – a timespan that was 60% greater than that used for planning purposes.

48.21 While not impacting on the overall cost to public funds, the HSE charged €2 million to Subhead B.12 in 2010 in respect of medicines and therapeutic services to residents. It did this on the basis of the commitment that residents in public nursing homes at the commencement of the NHSS would not be disadvantaged through the introduction of the new arrangements. It also stated that no adjustment was made to the subhead at any time to remove those ancillary costs, nor was there any decision to remove those services from existing residents.

48.22 The Department stated that it made it clear to the HSE that in order to manage the NHSS and comply with the principle of equalising State support under the scheme for residents of public and private facilities that these type of costs should not have been charged to the subhead.

⁴⁰⁰ This requirement derives from Section 13 (3) of the Nursing Homes Support Scheme Act 2009.

Cost of Facilities

48.23 Upon notification from the NTPF of the agreement with the nursing home the NHSS contribution to cost of residential care is based on the agreed price without any further intervention by the HSE on the matter.

48.24 The national average weekly prices agreed for long-term residential care in private nursing homes is approximately €65. Prices vary depending on location from €65 per week in Tipperary to €1,344 in Dublin.

48.25 In the case of public nursing homes funded from the HSE Vote the average cost was estimated at €1,245. Figure 191 shows the number of nursing homes that fell into different cost categories for both public and private facilities in 2010.

Figure 191 Nursing Homes Costs in 2010

Facility	Private facilities ^a	Public facilities ^b
under €600	6	1
€600- €900	285	7
€900 - €1,200	116	61
€1,200 - €1,500	29	32
over €1,500	—	21
Total Nursing Homes	436	122
Average Price/Cost	€65	€1,245

Notes: a Prices are based on single room occupancy and rates in late 2010.

b Data based on a review of the cost of care carried out in 2010.

Inspection Arrangements

48.26 The registration of a nursing home is for three years after which the provider must make an application to Health Information and Quality Authority (HIQA) for registration renewal.

48.27 Under the Health Act 2007 all facilities must be inspected by and registered with HIQA. Prior to its enactment, only nursing homes operated by private and voluntary providers were inspected.⁴⁰¹

48.28 A Regulatory Impact Assessment⁴⁰² on the introduction of the quality standards noted that there were significant shortfalls in relation to the physical environment in public nursing homes with many requiring significant refurbishment or replacement to comply with the quality standards. It stated that the refurbishment costs would be significant and depending on the relative proportions of units being replaced and upgraded the estimated cost would be of the order of €1.2 billion in 2008 prices. The standards, however, allow a period of time within which to meet the standard in circumstances where a fully costed plan is drawn up.

⁴⁰¹ Inspections of private facilities were previously carried out by the HSE.

⁴⁰² Nursing Homes Standards Regulatory Impact Analysis published by the Department of Health and Children.

Conclusion

The Act envisaged that the NTPF would agree maximum prices with nursing homes. However, prices paid by the HSE under the NHSS did not deviate from the prices agreed by the NTPF and the price agreed by the NTPF was the effective price paid by the State under the scheme.

In determining the price with the nursing homes the NTPF did not use costing models to inform the process but rather relied on information supplied by nursing homes and its review of that information. It also based its decisions on general knowledge of the cost and price drivers in the sector.

Because the agreements are relatively short-term the NTPF is likely to find itself in an ongoing negotiating position.

The NHSS has run into cost pressures due to

- the prices negotiated with private nursing homes exceeding those estimated
- the fact that significant arrears were paid (based on statutory entitlement) to persons who had opted for the NHSS and left the existing subvention scheme
- the fact that the number of residents occupying subvention and contracted beds has not been declining to the extent anticipated
- that fact that the length of stay of residents is turning out to be significantly higher than anticipated.

The cost of public nursing home facilities is significantly higher than prices paid for private nursing home places. The cost of public nursing homes could be further impacted by the costs required to upgrade facilities in line with the new quality care standards.

Annex A Features of the Nursing Homes Support Scheme

The Nursing Homes Support Scheme Act 2009 (the Act) contains a number of measures aimed at equalising State support for public and private nursing home residents such as

- the applicant's financial contribution to long-term care is capped and the State pays the balance irrespective of whether care is provided in a designated public, approved private or voluntary facility
- the provision of financial support is subject to the applicant qualifying under a standardised care needs assessment and a financial assessment
- the principle of resident choice extends equally across facilities
- the basis of financial support is consistent across facilities.

The key considerations in assessing the applicant's financial contribution to care costs are

- the contribution cannot exceed the cost of care
- the annual contribution is set at 80% of assessable income and 5% of the value of any assets owned
- the first €36,000 of assets (€72,000 for a couple) are not counted in the assessment
- where the assessment of assets includes land and property in the State the 5% contribution may be deferred and collected from the person's estate
- the person's principal residence will only be included for the first three years of assessment (i.e. capped at 15%).
- the three year 'cap' can also extend to farms and businesses, in certain circumstances.

Where the 5% contribution has been deferred, the HSE pays or incurs this element of the cost of care on behalf of the individual. In effect, the HSE loans part of the cost of care and recoups the loan advanced upon the person's death. This loan facility titled 'Ancillary State Support' is provided for in the Act and assists individuals to avoid having to dispose of property assets such as a house during their lifetime.

The arrangements under the loan facility involve a Charging Order⁴⁰³ registered against the property.

- The HSE makes the Charging Order, registers it against the asset with the Property Registration Authority and makes payments to the nursing home facility or incurs the cost of care on the person's behalf.
- Where the person is part of a couple, the spouse or partner must also request payment of the loan and consent to the Charging Order being registered.

When the loan is due to be repaid the HSE seeks repayments from the person responsible – for example an executor, and notifies that person of the loan balance due including any adjustment for indexation⁴⁰⁴. The Revenue Commissioners collect amounts owed in line with instructions sent by the HSE.

⁴⁰³ A Charging Order is a simple type of mortgage provided for under the Act which secures the money loaned by the HSE.

⁴⁰⁴ The Consumer Price Index published by the Central Statistics Office is used to calculate the time value of money impact on the loan

In cases where repayment arises because of the death of the resident in care the loan must be repaid within 12 months, with interest charged after that date by the Revenue Commissioners in accordance with the Act. If the loan becomes repayable because of the sale or transfer of the property during the person's lifetime then the loan must be repaid within six months of that date otherwise interest will be charged.

Transitional Arrangements

A commitment was given that persons who were in a nursing home prior to the commencement of the NHSS would not be made worse off in that

- the applicant is notified of their approval for financial support under the scheme
- if the care is provided in a public or voluntary nursing home⁴⁰⁵ or in a contracted bed in a private nursing home before the start of the NHSS then the person can continue with that arrangement
- if the person is in an approved⁴⁰⁶ nursing home before the start of the NHSS and is being provided with support under the subvention scheme then the person can retain the current subvention system or apply for the NHSS (the three year 'cap' can be applied to time spent in the nursing home prior to the commencement of the NHSS)
- if the person is in an approved nursing home before the start of the NHSS and paying for care, application can be made for the NHSS (again the three year 'cap' can be applied to time spent in the nursing home prior to the commencement of the NHSS)
- if care is being provided in a nursing home which is not approved for the purpose of the NHSS the person can opt to continue with the existing subvention arrangements or apply for the NHSS and change to a nursing home approved for the NHSS.

Administration

The HSE also acts as a service provider. In discharging this role, it must ensure that services are utilised safely, efficiently and in a manner which maximises the overall benefit to the nursing home population.

The NHSS is administered by the HSE through a National Co-ordinating Unit (NCU) in Tullamore and 18 local nursing home support offices which are responsible for processing applications for financial support and for making payments to private nursing homes.

Local offices are responsible for verifying payments to the private nursing home by comparing the details on invoices submitted by the home with their records. If circumstances affecting the resident change either due to death or discharge from the facility, the nursing home is responsible for informing the local office.

To support the administration of the scheme a computer system was procured and deployed in three of the nursing home support offices and the NCU in late 2010. Deployment to the remaining fifteen offices⁴⁰⁷ is expected to be completed in 2011 along with the development of some additional features to the system.

⁴⁰⁵ Voluntary nursing homes are publicly funded facilities operated by voluntary bodies.

⁴⁰⁶ Approved nursing homes are defined in the Act as those which are registered in accordance with the appropriate legislation, where a written agreement is in force in relation to pricing and where a tax clearance certificate issued by the Revenue Commissioners has been supplied to the HSE.

⁴⁰⁷ While the 15 offices have records on an IT system the details recorded are not as extensive as the main system.

Care Needs Assessment

Once an application for care has been made the local nursing home support office arranges for a Care Needs Assessment to determine whether long-term nursing home care is required. The Care Needs Assessment is carried out by a health professional appointed by the HSE and comprises an evaluation under a number of criteria which are set out in the Act. Health professionals use different assessment tools,⁴⁰⁸ however the assessments are brought together in a standardised Common Summary Assessment Report for the purposes of a national standardised assessment. The decision as to long-term care needs is made by the Local Placement Forum⁴⁰⁹. A decision which finds that the applicant is not in need of long-term care can be appealed through the local office.

The Department noted that as each person is deemed to need nursing home care as a result of the standardised Care Needs Assessment, and in the absence of a single standardised assessment tool which can identify discrete levels of dependency in a highly refined and robust manner, it is not possible to distinguish between the care needs of different applicants nor to use this as a basis to prioritise funding.

Financial Means Assessment

The assessment of the financial means of the applicant is performed by the local office by checking details submitted on the application form and supporting evidence. Where persons have applied for Ancillary State Support the NCU confirm property details from the Property Registration Authority records.

Once a determination on financial support is made

- the applicant is informed of the level of their contribution
- the local office informs private facilities of the public contribution to care under the NHSS
- the nursing home returns an admittance notice to the local office once the person takes up residence
- the local office makes arrangements for payment to the facility on the submission and verification of invoice details
- where the person is in a public facility the local office instructs the facility to recoup the contribution from the person
- for persons who are approved for loan support the NCU executes the Charging Order with the Property Registration Authority.

⁴⁰⁸ Health professionals use tools such as the Modified Barthel Index to measure performance in basic activities of daily living.

⁴⁰⁹ The Local Placement Forum is a general term for a HSE-led grouping consisting of clinicians and health staff whose primary role is to determine an applicant's need for long-term residential care under the NHSS.

