



Update on Comptroller and Auditor General Report Chapter 48: Nursing Home Care Costs

The following responds to the main issues outlined in the Comptroller and Auditor General Report 2010 on Nursing Home Care Costs (Chapter 48). The main points from the report have been extracted in sequence followed by commentary and data to facilitate responding to potential queries.

Introduction

The Nursing Home Support Scheme (NHSS - Fair Deal) was introduced in October 2009 as a demand-led, means-tested, resource-capped *national* scheme. The purpose of the Scheme was to introduce more equitable and transparent financial support for people in long-term residential care. It provides a co-payment, uniform system of financial support irrespective of whether the person is in a public or private bed.

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Nursing Home Care Costs

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 €959 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.

HSE Observations

- 48.1 Fair Deal has a dedicated budget Sub-head (B12) under Vote 40 which in 2011 amounted to **€1.026 billion**. This ring-fenced budget is to ensure that resources are only used for long term residential care. A key principle of Fair Deal is that “money follows the patient”.
- 48.2 Included in the cost of the Nursing Home Support Scheme (NHSS) in 2011 is a **projected €17.25m** in respect of Ancillary State Support (Nursing Home Loan). This is an optional benefit of the scheme, which is, in effect, a loan that can be repaid at any time but ultimately falls due for repayment upon the death of the applicant. A Charging Order, which is a simple type of mortgage, is registered against an asset to secure the loan. The Revenue Commissioners act as HSE Agents to collect the repayable amount when the loan is due for repayment.

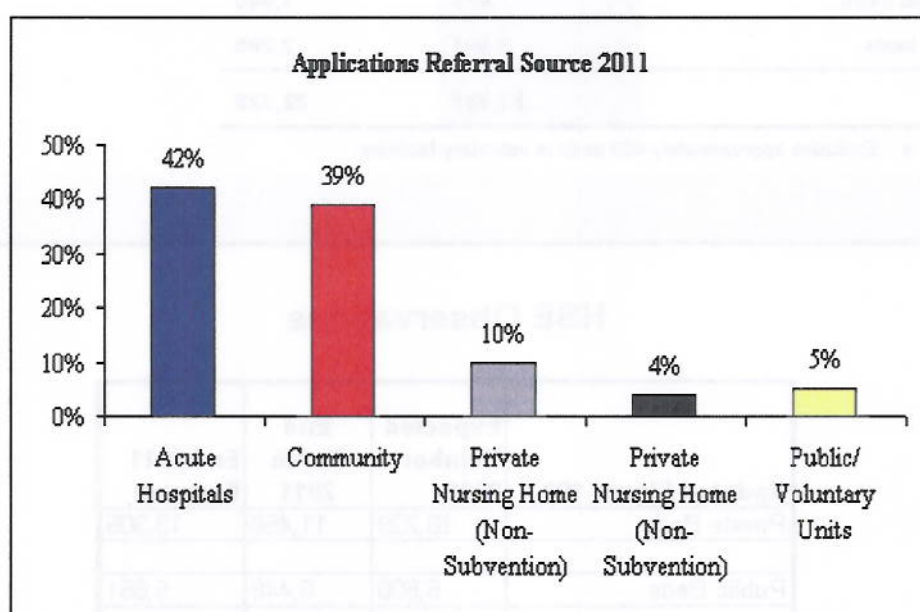
Figure 189 Long Term Residential Care Cost 2010				
	Estimate ^(a)	Outturn	Forecast Outturn 2011	Change
	€m	€m	€m	€m
Nursing home support scheme	148	238	418	180
Subvention and contract beds	308	228	143	-85
Public facilities	523	493	430	-63
Sub total	979	959	991	32
Voluntary facilities and S39 providers			60	60
Cost to 31 December 2010	979	959	1,051	92
^(a) Revised Estimate for Public Services 2010				

- Subhead B12 now includes 5 voluntary facilities at a cost of €43m and S39 providers at a cost of €17m
- The final subhead in 2011 was €1,026m which represents a deficit of €25m against the forecast outturn.

Since the Scheme commenced in October 2009 the information validated to date shows that a total of 26,839 applications for financial support have been received under the scheme:

- 22, 398 were for State Support only (83.5%)
- 4,441 were received for State Support and Ancillary State Support (16.5%).
- 8,890 applications were received during 2011 – 33% of total

Most applicants were referred to the NHSS from an acute hospital, shown in the figure below



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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.

HSE Observations

Updated Figure 190	Expected Number 2011	End March 2011	End 2011 Forecast
Private Beds	10,229	11,458	13,306
Public Beds	6,600	6,446	5,661
Subvented Beds	2,487	1,940	1,300
Contract Beds	2,391	2,285	1,879
Section 39	0	0	195
Total	21,698	22,129	22,341*
* Note, these are end of year projected year figures only and may change once validated data is available			
Note: Section 39 not included in 2010 as funding not included in Subhead B12			

48.3 Fair Deal operated within budget in 2010, its first full year of operation. During 2011, due to demand for the Scheme and following quarter ones financial results, the HSE temporarily suspended approving funding for new clients pending an internal financial review. The Scheme resumed in June 2011 on a

1:1 replacement basis (assuming 300 private and 100 public turnover per month) and in addition the Minister also provided additional once-off funding for up to an additional 1,700 places.

The projected end of December figure for numbers supported under the scheme is 22,341. This is a net increase of 643 in the year 2011. Additionally, there were 583 persons whose application was determined to final stage but who were still on the national placement awaiting placement approval. During 2012 it is projected that 23,611 people will be supported under the scheme with a projected net increase of 1,270 persons.

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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 rates³⁸⁷.

HSE Observations

48.5 Since the introduction of the Nursing Home Support Scheme, a person's contribution under the scheme is based on 80% of their assessable income and 5% of the value of their assets per annum. A person's principal private residence is only included in the financial assessment for the first three years of their time in care.

Under the Nursing Homes (Subvention) Regulations 1993, a grant was payable towards the cost of providing nursing home care in a registered private nursing home. The grant paid depended on the person's level of dependency as determined by the HSE. The maximum amount of the grant was paid if the person's only source of income was the Non Contributory Old Age Pension. Any additional income or assets resulted in a reduced amount being paid.

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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.

HSE Observations

48.13 The NTPF is responsible under the Act for negotiating prices with individual homes (s.40). To ensure that sufficient homes were registered to launch the Scheme, the NTPF offered two options to nursing homes prior to the Scheme launch:

- **Option A:** NTPF offered a price based on previous rates which would be valid for 6 months. 40% of nursing homes eventually opted for this.
- **Option B:** Detailed information to be provided by the home to set the price which would then be valid for 12 months.

The effect of these options was that there were two built-in price revisions in 2010 – April (for option A) and October (option B). The objective of the NTPF was to ensure that prices would remain relatively stable and within the CPI.

In 2011 the average cost of private beds increased from €855 per week to €877 which could mean a budget over-run of up to €20m for the full year cost of estimated people in private beds. As a result of this, since 12th May 2011 the HSE suspended implementation of further increases in prices as notified by the NTPF pending a review of the current arrangements.

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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 €56 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.

HSE Observations

48.20 The cost of long stay beds is a key determinant of the overall Fair Deal budget. The HSE recognised from the start that the Scheme was highly sensitive to variations in bed cost.

Cost of Care in Public Homes: S33 of the NHSS Act 2009 provides that '*charges may be made by the Executive in respect of the provision of care services*'. These charges '*shall be determined by the Executive and shall not exceed the cost of providing such services*'. At the commencement of the scheme, the then Minister laid before the houses of the Oireachtas details of the '*goods and services which constitute care services*' and only these items can be included in the cost of care.

The HSE must cost its 121 public homes in strict compliance with the Act. The Act does not determine the regularity with which costs are published.

Trend in Cost of Care: The HSE published the cost of each public home in 2010 and is currently finalising a costing of every home using 2011 data.

There is a clear trend in the data showing that the running costs of most homes are down year-on-year and in some cases significantly down. However, the HSE has also had to close beds during 2011 for a variety of reasons and this causes the cost applied to each remaining bed to increase.

Centralising Payment for Public Homes: Since the Fair Deal Scheme commenced, payments to private nursing homes have been made directly from a central unit in Tullamore on a named-patient basis. Payments for the historic private subvented beds and private contracted beds are made on a named-patient basis by each HSE area. Funding for clients in public homes has been allocated via an annual budget assigned to each home. This approach was taken in order to avoid the bureaucracy/administration of sending cheques internally within the HSE.

Following the experience of 2 operational years, it has been decided to change the manner of funding in 2012 for public homes so that payments will be made on a named-patient basis. While this will lead to significant additional administration internally, the revised approach will provide greater transparency in the use of resources and will implement a 'money follows the patient' approach.

Financial issues in 2011: In May 2011 new approvals under the Fair Deal scheme were paused while discussions took place with the Department of Health on the funding arrangements for the year. It was clear at that point that a number of emerging factors would cause the HSE to breach the subhead if it continued to issue approvals based on demand.

It was agreed with the Department that a range of funding would be provided to ensure approvals could recommence under the scheme. These included viring €30m from capital, reversing NTPF price increases and increasing long-stay charges. The emerging factors were:-

1. The level of arrears being paid was much higher than anticipated.
2. An increase in the order of 4%-5% in the National Treatment Purchase Fund (NTPF) prices for Private Nursing Homes which was forecast at €20m for the year.

3. A lower than expected rate of reduction in the cost of private subvented /contracted beds.
4. An increase in the Average Length of Stay which is a key determinant of the long-term sustainability of the Scheme.

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48.21 While not impacting on the overall cost to public funds, the HSE charged €52 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.

HSE Observations

48.21 There was considerable debate with the Department in 2011 regarding the treatment of 'ancillary costs' in public homes. These costs include medicines, incontinence wear, physiotherapy, chiropody etc. While the HSE excludes these items from the cost of care calculations, it was attributing the costs to subhead B12. This approach was taken on the basis that the services were always provided to residents in public homes and the funding was never taken out of the Long Term Care subhead. The Department has since agreed to move this funding out of subhead B12.

Comptroller & Auditor General Report 2010 – Extract*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 €865. Prices vary depending on location from €565 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	€865	€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.

HSE Observations

48.24 Figure 191 below gives an update on the number of nursing homes that fell into different cost categories for public and private facilities in 2011

Figure 191 Nursing Homes Costs in 2011

Facility	Private Facilities 2010^a	Private Facilities 2011^b	Public Facilities^c
under €600	6	4	1
€600 - €900	285	282	7
€900 - €1,200	116	119	61
€1,200 - €1,500	29	32	32
over €1,500	-	-	21
Total Nursing Homes	436	437	122
Average Price/Cost	€865	€877	€1,245
Notes: a Prices are based on late 2010 rates - single room occupancy			
b Prices based on December 2011 NTPF notified rates - single room occupancy			
c Prices based on a review of cost of care undertaken in 2010			

