Nursing Homes Support Scheme

Background Briefing

Introduction

The Nursing Homes Support Scheme, also known as the "Fair Deal", provides financial support to people who need long-term nursing home care. The scheme is underpinned by the *Nursing Homes Support Scheme Act 2009* and is administered by the HSE. In 2020, it has a total annual budget of €1.07 billion and is expected to support 24,000 people at any one time.

Ireland has a mixed public/ private model of nursing home provision. There are approximately 560 nursing homes in Ireland, of which about 450 are private/ voluntary homes and 110 are public nursing homes. The Nursing Homes Support Scheme takes account of this mixed model of service delivery and provides the same level of support to an individual regardless of whether they choose public or private nursing home care.

Rationale and Policy Objectives of the Scheme

The Nursing Homes Support Scheme replaced a two-tier system which was acknowledged as being deeply inequitable and unsustainable. There were vastly different levels of support available to residents in the public system and residents in the private system. People who obtained a public bed were charged a maximum of up to 80% of the State Pension (Non-Contributory) towards the cost of their care, regardless of their means. In contrast, people who availed of a private nursing home bed may have been entitled to a level of subvention, based on their means, but otherwise were obliged to meet the full cost of their nursing home care. The State met only 40% of the estimated average cost of care in a private facility, while meeting 90% of the cost of care in a public facility[1]. As well as being inequitable, the capped public charge was also regressive since better off people paid a much lower proportion of their income towards the cost of their care.

On its introduction, the **immediate policy objectives** of the Nursing Homes Support Scheme were to:

- Equalise State support for public and private long-term residential care recipients;
- Render private long-term residential care affordable and anxiety-free, and ensure that no-one has to sell their home during their lifetime to pay for their care;
- Remove the incentive to avail of public rather than private long-term residential care, thereby helping to alleviate the problem of delayed discharges from the acute hospital sector.

These immediate objectives were framed in the context of a **long-term objective** to put in place an infrastructure of high quality and sustainable long-term residential care services for older

[1] The public system accounted for approximately one third of long-term residential care beds, while private beds made up the remaining two thirds.

people[2]. In this regard, it is noteworthy that the intention of those involved in developing the scheme was that it should apply to nursing home care in the first instance but be expanded thereafter to encompass community and home-based long-term care.

More than a decade on, the scheme's aim has been refined to a more succinct description, namely to ensure care "is accessible and affordable for all". In a conversation with the current Principal Officer with responsibility for this area, it was stated that the scheme continues to deliver against these objectives. He further noted that there are calls to expand and broaden its scope[3].

A Social Impact Assessment was completed and published in August 2019 by the Irish Government Economic and Evaluation Service (IGEES). It stated that "The introduction of NHSS has proven to be successful and despite a growing elderly population, no large spikes in demand have materialised. The Scheme has proven to be financially sustainable, which is of key importance for the functioning of the Scheme going forward."

How the Scheme Works

Under the scheme, a person makes a contribution towards the cost of their care and the HSE pays the balance.

Anyone who is ordinarily resident in the State and needs long-term nursing home care can apply for the Nursing Homes Support Scheme. The process involves four basic steps.

Step 1 is a Care Needs Assessment. This is to assess whether the person needs long-term nursing home care or whether they can be supported to continue living at home.

Step 2 is a Financial Assessment. This looks at the person's income and assets to work out their contribution to the cost of their care (see appendix 1). The HSE will then pay the balance of the cost of care. This payment by the HSE is called State support.

Step 3 is an optional application for a Nursing Home Loan. A person can apply for this if they want to defer paying the part of their contribution that is based on their home or other property.

Step 4 is the Choice of Nursing Home. The HSE will provide the person with the list of nursing homes that are participating in the scheme. This list will include public nursing homes, voluntary nursing homes and approved private nursing homes. A person can choose any nursing home from the list subject to availability (the home must have a place) and suitability (the home must be able to cater for the person's particular needs).

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[2] The source document for the scheme rationale and policy objectives is the published Regulatory Impact Assessment which accompanied the legislation.

[3] Call with Principal Officer on 21st July 2020.

Where the person chooses a public nursing home, they pay their contribution to the HSE nursing home. Where they choose a private nursing home, they pay their contribution directly to the private nursing home and the HSE pays the balance. The choice of nursing home is not connected in any way to the level of contribution. Rather, every person's contribution is based on the principle of ability to pay as determined by a standard national financial assessment set down in law.

How Prices are Set

In order to guarantee that the State will pay the full balance of the cost of care, the State has entered into a price agreement with each private or voluntary nursing home participating in the scheme. These agreements set out a maximum price which may be charged for a defined set of services and stipulate that this is a condition for inclusion on the approved list of homes for the Nursing Homes Support Scheme. The contracts are executed individually with each nursing home by the National Treatment Purchase Fund, i.e. the State does not publish a single national contract and invite providers to sign as per current arrangements within the ELC/ SAC sector. They are generally multi-annual in nature in order to give both parties more certainty and minimise administrative burden. The NTPF is independent in the performance of its functions under the scheme.

The NTPF has no role in setting or negotiating prices for public nursing homes. The maximum prices in public facilities, referred to as the cost of care, are set by the HSE, laid before the Oireachtas and are published on the HSE website.

It may be noted that officials developing the Nursing Homes Support Scheme envisaged a potential need for an underlying economic cost model which would support the NTPF in its price negotiation work and ensure value for money in the provision of quality care, including care associated with different levels of dependency. A 2015 review of the Scheme stated that the NTPF had done an effective job in introducing and managing a price system, but also made the following relevant recommendations:

> 4) Within 18 months, the NTPF should review the present system and submit future pricing proposals to the Minister for Health with a view to:-
> i) Ensuring that there is adequate residential capacity for those residents who require higher level or more complex care;
> ii) Ensuring value and economy, with the lowest possible administrative cost for the State and administrative burden for providers;
> iii) Increasing the transparency of the pricing mechanism so that existing and potential investors can make as informed decisions as possible

5) The cost of public long-term residential care should be based on a pricing model that is objectively and consistently formulated, and which takes account of and accurately quantifies unavoidable price distortions[4].

A Steering Group, chaired by the NTPF, was established to oversee and manage the pricing review recommended in the 2015 Review. The Steering Group has completed its work and its report is currently with the Minister for Health.

Further information and reflections on the pricing model will be provided as part of the presentation to the Expert Group.

Relationship between Funding and Quality

Under the *Health Act 2007*, all nursing homes both public and private must register with the Health Information and Quality Authority (HIQA) and comply with the conditions and requirements laid down by HIQA in this context. Fees are payable by operators of nursing homes for initial registration, for variations of conditions of registration and an annual fee is also payable by each registered provider. Under the *Health Act 2007*, HIQA can inspect nursing homes for registration purposes and to ensure quality standards are being met.

The Nursing Homes Support Scheme only applies to nursing homes registered with HIQA under the Act.

Emerging Issues and Comparisons with the ELC Sector

Further detail on emerging issues will be contained in the presentation delivered to the Expert Group. The presentation will also draw out similarities and differences between the nursing home and ELC/ SAC sectors.

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[4] Review of Nursing Homes Support Scheme, A Fair Deal, p. 53. Department of Health, 2015. https://assets.gov.ie/14095/f39a443d0a054c78a548d5fad8711df4.pdf (The review was led by the Department of Health, in collaboration with the HSE, and with input and analysis provided by Deloitte and Touche Consultants on specific issues that required specialised expertise. The Department of Health carried out an extensive public consultation as part of the review.)

Appendix 1

Further Information on the Financial Assessment and Calculation of the Contribution to Care

Financial Assessment

The Nursing Homes Support Scheme Financial Assessment looks at an applicant's income and assets. In the case of a member of a couple, the assessment is based on half of the couple's combined income and assets.

Income includes any earnings, pension income, social welfare benefits or allowances, rental income, income from holding an office or directorship, income from fees, commissions, dividends or interest, or any income which a person has deprived themselves of in the 5 years leading up to their application.

An asset is any material property or wealth, including property or wealth outside of the State. Assets are divided into two distinct categories, namely cash assets and relevant assets.

Cash assets include savings, stocks, shares and securities. Relevant assets include all forms of property other than cash assets, for example a person's principal residence or land. In both cases, the assessment also looks at assets that a person has deprived themselves of since applying for State support or in the 5 years before the application.

The assessment does not take into account the income of other relatives such as children.

Contribution to care

A person's contribution is calculated as:

- 80% of income (less deductions below) and
- 7.5% of the value of any assets per annum (5% if the application was made before 25 July 2013)

However, the first €36,000 of the applicant's assets, or €72,000 for a couple, is not be counted at all in the Financial Assessment.

Where assets include land and property, the 7.5% contribution based on such assets may be deferred until after the person and their partner/ any dependent relatives have passed. This is known as the Nursing Home Loan.

The principal residence is only included in the financial assessment for the first 3 years of the person's time in care. This is known as the 22.5% or 'three-year cap' (the cap is 15% for applications made before 25 July 2013). It means that a person pays a 7.5% contribution based on the principal residence for a maximum of 3 years regardless of the length of time spent in nursing home care.

In the case of a couple, the contribution based on the principal residence is capped at 11.25%.

There are safeguards built in to the Financial Assessment which ensure that:

- Nobody will pay more than the actual cost of care.
- A person must keep a personal allowance of 20% of income or 20% of the maximum rate of the State Pension (Non-Contributory), whichever is the greater.
- Any spouse or partner remaining at home must be left with 50% of the couple's income or the maximum rate of the State Pension(Non-Contributory), whichever is the greater.