



European and Global Perspectives

THE ENERGY CRISIS AND ITS EFFECT ON THE LONG- TERM CARE SECTOR ACROSS EUROPE

The energy crisis is having a particularly negative impact on not-for-profits, and organisations that provide long-term care face particular challenges. In this article, Anne-Sophie Wislocki from Eurodiaconia addresses this topic by providing a detailed analysis of the differences in how the long-term care sector is financed across Europe, and the difficulties surrounding energy saving and the reimbursement of energy costs. Ensuring the continuity of this sector is essential in the current climate, and therefore the challenges it faces in regards to the energy crisis must be addressed appropriately.



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Throughout the last three years, long-term care service providers have been under great pressure due to the COVID pandemic, which has affected their operations, their capacity to retain staff, and in many cases also their finances. Expenses increased, while income has often been reduced. Now, the next crisis is adding another layer of difficulty to this sector which has already been struggling heavily.

This summer, our Italian member, Diaconia Valdese, was the first one to ring the alarm bells together with other not-for-profit long-term care providers in Italy regarding the skyrocketing energy prices. In a letter to the relevant Ministries and to the Italian Parliament, this alliance has called for an increase in the reimbursement levels they receive from authorities, which have not been increased in the last 10 years, meaning that long-term care providers have been put in a difficult economic situation since before the onset of the current energy crisis. The alliance fears that the energy crisis will now be the tipping point for many and will force them to shut down their facilities.

We have heard similar fears from members across Europe. In many cases, reimbursement rates from public authorities for delivered care services have not been increased for several years. At the same time, these providers have been faced with increased costs during the COVID pandemic and now with high inflation.

Having followed-up with our members over the last months, we have found out that for most not-for-profit long-term care providers the situation is tense, but rarely an existential threat. This is thanks to the recognition that care services are essential and therefore a certain number of mechanisms are put in place which allow for a continuation of the services, albeit under constraints.

However, the exchanges we have with our members also clearly show the importance of adequate, sustainable but also adaptable funding for social and care services. If this is not guaranteed then the quality, continuity and affordability of the services is at high risk.

WHY IS THE SITUATION PARTICULARLY DIFFICULT FOR NOT-FOR-PROFITS?

As not-for-profit services and (long-term) care providers are only allowed to make limited reserves, they are particularly dependent on constant flows of income and are vulnerable to unforeseen shocks and sudden expenditures. Many care providers have been put under strain over the last two years. Because of COVID, they were facing a higher level of expenditure, which was often accompanied by a loss of income. This means that reserves were in many cases already low and have now been used up very quickly in order to respond to increased energy and food prices.

The degree of the problem depends very much on the national contexts and how the care sector is organised. The following main elements play a crucial role. The first factor to consider is if care providers benefit from advantageous fixed or at least negotiated energy prices. The second is to consider if part of the reimbursement from authorities can be adapted to the increased costs, either unilaterally or following negotiations. The third one is to calculate whether there is room for energy savings. The last element to consider is if the remaining costs can be covered from increased out-of-pocket payments from beneficiaries.

FIXED PRICE ENERGY CONTRACTS GIVE SOME ROOM TO MANOEUVRE

In some countries, long-term care providers are benefitting from fixed price energy contracts and are therefore currently not affected by increased energy prices. However, most organisations which are currently in this position are very worried about the end of their contracts and what will follow in the next months. Other members negotiate their energy contracts yearly and can therefore also benefit from lower-than-average prices, although they are increasing as well. But some, like our members in Italy, or in Latvia and Finland, have to cope with the market prices for energy and are thus affected by prices which have more than doubled.

In addition to the increasing energy crisis, increased food and fuel prices (for mobile care services), as well as escalating staff costs, need to be taken into consideration, as they are also significantly driving up expenses. While the increase in staff costs has been welcomed by the members it concerns, it is essential that this is also met with increases in the refinancing schemes with authorities.

THE REFINANCING OF SERVICES BY AUTHORITIES

The exact schemes differ across countries, but overall, in most cases, part of the social and care services which are provided are reimbursed by public authorities (in most cases local or regional authorities). For these services to be running correctly, it is essential that the level of reimbursement is adequate and allows for quality service provision. However, this adequate reimbursement of services seems to be rather the exception than the norm.

As stated in the introduction, in Italy for example most regions haven't increased their reimbursements in the last 10 years. In the Czech Republic, reimbursements have been adjusted this year for the first time since 2013. The capital region of Latvia, Riga, is the only one in the country benefitting from increased reimbursements because of the inflation. In Austria, care providers are also currently waiting for greater reimbursements, but it is yet unclear when this will happen and if the adjustment will be sufficient.

In other countries, such as Germany, Finland and the Czech Republic, those reimbursements are negotiated on a yearly basis. Our members have informed us that it is hard to receive adequate increases of the reimbursement levels in those negotiations. Furthermore, in the case of our German members, when these reimbursement negotiations take place varies from one care home to another. Those who are currently negotiating have to estimate future increases, but those who won't have the negotiations until next spring will have to cope until then with much lower reimbursement levels.

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ENERGY SAVINGS

Saving energy, in particular on heating, is far from easy when dealing with vulnerable groups, especially with elderly persons who are in fragile health. Some of our members therefore decided not to reduce the heating and the comfort of their beneficiaries, but to rather use their reserves to cover higher costs.

Other members, however, have put into place energy-saving measures and have reinforced them over recent months. For example, our member Slezska Diakonie in the Czech Republic is increasing its measures relating to energy savings and energy efficiency, including through an energy audit. One member in Germany has reduced the room temperature from 24C to 21C as a rule, as long as the elderly feel comfortable, stressing that anyone needing a warmer room would get it.

LAST RESORT: HIGHER OUT-OF-POCKET PAYMENTS

Several members report that the out-of-pocket payments for their beneficiaries have been or will increase because of the inflation. However, the biggest effects in this result from increases in salaries. In most cases, only part of the inflation can and will be reimbursed. Care providers have then to balance the loss by increasing the out-of-pocket payments for beneficiaries. This measure can seriously affect the affordability of care services and hits lower income households and their families the hardest.

An exception to this rule is our member Diakonie Austria, as in Austria increased costs cannot be balanced through higher out-of-pocket payments from beneficiaries. While this is positive for care beneficiaries, this means that care providers are fully dependent on increases of reimbursement levels from the regional authorities. In Austria, these are not negotiated, but imposed on a regional level. In the meantime, care service providers from our member organisation are accumulating debt while hoping that the reimbursement will cover these costs.

ADEQUATE FINANCING OF SERVICES IS ESSENTIAL

The current situation shows clearly that the adequate financing of social and care services is essential to guarantee that they run smoothly and that the quality, availability and affordability of their services is ensured. For not-for-profit providers, a stable and adjustable financing scheme is vital. Reimbursement levels need to be adjusted regularly but also swiftly in times of crisis, as reserves are quickly used, and service providers are then faced with existential threats.

So far, it seems that long-term care facilities are overall in a slightly more secure position than other social services. This is probably due to their specific role and responsibility towards caring in the longer term for their beneficiaries. To be able to deliver well their services they are in high need of economic stability, which is currently put at risk by the high inflation and slow reaction of some authorities.