

donedeal

Belgian nursing home sector



financial system

Belgian long-term care system

The Belgian LTC system can be characterised as a mixed system with extensive publicly financed formal care services which complement significant informal care provided mainly within the family;

In residential facilities, public health insurance funding of care is based on a case-mix system, the level of funding varying according to the care dependency profile of the residents and the related numbers of qualified staff;

In other words, facilities handling severe cases receive more financing;

Board and lodging costs (hotel services) are not covered by public health insurance, yet paid privately;

financial system

Belgian long-term care system

Revenues

Social security funding = “daily fixed rate”;

Residents = “daily fixed price” - includes hotel costs;

Federal government: extra subsidies based on mixture staff;

Expenditures

Personnel: carers and support staff;

Costs: equipment and goods to administer care (food, medical and pharmaceutical supplies, maintenance, utilities, external services....);

Revenues – expenditures (personnel + cost) = EBITDAR

2/3 EBITDAR = rent / annuity for infrastructure

1/3 EBITDAR = P&I operations

Belgian market

current situation

Belgium had around 130.000 living units (nursing home beds) in 2012 across 1600 nursing homes;

Regional division

52% in Flanders;

16% in Brussels;

32% in Wallonia;

Division private/ public

35% in private hands;

65% CARITAS and OCMW (public);

1500 revalidation beds

Belgian market

current situation

The average nursing home resident is between 84 and 85 years old and resides on average 2 years in a nursing home;

In the period between 1955 and 2005, there has been an increase of 210% of +80 year-old and an increase of 292% of 85 year-old;

Estimates show that by 2015 almost 150.000 nursing home beds would be needed to anticipate the need, on the basis of home care to be considerably increased;

It is clear that the Belgian state can no longer develop those beds by its own;

As a result, occupancy rates in nursing homes are above 97%;

Belgian market

future situation

	2008	2050
Flanders	57.7%	60.9%
Brussels	32.5%	31.9%
Wallonia	9.8%	7.2%

Relative share of +80 year-olds per region

Belgian market

future situation

<i>2012</i>	<i>2015</i>	<i>2020</i>	<i>2030</i>	<i>2040</i>
130.000	150.000	180.000	195.000	210.000

Projection of the number of nursing home beds

Belgian market

future situation

The +80 year-old population will grow by 300%;

Increase in dementia related illnesses;

Longer quality of life resulting in a more layered need for care;

A drastic increase in the number of nursing home beds is needed while residential alternatives such as assisted living concepts are considered as well;

The government is unable to provide full scale of services and meet the growth requirement;

After a reluctant period of time, PPS (cooperation between private and public sector - in essence outsourcing by local communes) projects are getting off the ground now;

Belgian landscape

providers

The private market, holding 35% of the total market, can be divided in 2 main categories:

Small owners - very fragmented:

- Inadequate professionalism and lack of vision;

- Less efficient;

- Restricted financial cloud;

- This group has about 60% of the private market;

- Some of these players started Calidus, a cooperative model to increase purchasing power and to centralise some of the support activities;

Belgian landscape

providers

Large groups backed by private equity firms, investor groups, or international players:

In Brussels and Wallonia, mainly French groups such as Orpea, Noble Age, and Korian are active;

Senior Living Group (SLG - recently sold by the Belgian-Dutch PE firm Waterland to the French group Medica) as well as Armonea (backed by Verinvest, the investment arm of the InBev families and Group Van den Brande), Senior Assist (private investors), Soprimat, Vulpia (privately owned), and Anima Care (investment holding AvH) are mainly active in Flanders and Brussels;

Their focus is on the operations side of nursing homes;

After the acquisition of a nursing home, the real estate is typically sold and leased over a period of 27 years;

A number of real estate and insurance companies such as Cofinnimo, Generali (Care Invest), Aedifica, Ethias, Belfius (Immorent) have actively invested in nursing home real estate;

Belgian landscape

providers

<i>Company</i>	<i>Shareholders</i>	<i># facilities</i>	<i># residents/ beds</i>
Orpea	Publicly traded	56	6.518
Armonea	Verlinvest - Group Van den Brande	60	6.200
SLG	Medica	47	5.500
Senior Assist	private investors	32	3.000
Soprimat	private investors	20	1.250
Vulpia	private investors	17	1.100
Anima Care	Investment holding AvH	13	900

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