Nursing Care Facilities in Germany

Nursing Care Market

U.S. Commercial Service

Summary

In Germany, the number of people needing professional nursing care will double, or even triple, by the year 2050 as a result of substantive demographic shifts. By the year 2030, most if not all of the so called “Baby Boomers” will have retired and will potentially be in need of nursing. While sophisticated medical technology manages to decrease vital illnesses and expand the human lifespan, conditions related to old age such as dementia or heart problems are on the rise, requiring long-term solutions. In 2005, the percentage of people needing care under the age of 60 was less than 1%, while the percentage of people older than 80 and in need of care stood at 31% and over 90 at 60%. These figures illustrate the need for a proper insurance solution, since most people in Germany are unable to finance professional caretaking on their own. Therefore the ‘long-term care insurance’ has been created, which is a mandatory insurance financed by both the employee and employer. As a result of quickly rising numbers of people in need of caretaking the insurance funds face serious financing problems – an unpredictable risk to professional nursing care.

The care sector in Germany is expected to grow by 3% annually, and experts expect changes in the way care will be provided. From 2006 to 2010, the number of people in need of stationary care increased by 15%. This trend is presumed to continue over the next few years, increasing demand for nursing homes, most of which are already successful commercial operations, and other nursing care solutions.

In Germany, trade fairs play an extraordinarily large role in product marketing. U.S. companies wishing to penetrate the German market often make their first approach at major trade fairs. For U.S. manufacturers and exporters wishing to sell in Germany (and in Europe) it is important to exhibit at one of Germany’s major international fairs. Exhibiting at fairs can bring direct sales, but more significantly, it can be one of the least expensive ways to test the market’s receptivity. U.S. companies may want to consider attending the following shows:


Market Overview

Nursing services

In 2010 there were 12,000 nursing services authorized and in operation in Germany. Of these, 7,200 were privately operated; 4,470 were operated by non-profit organizations such as DIAKONIE or CARITAS; and 330 were operated by local authorities. The number of nursing services increased by 5% from 2009 to 2011.
In total, 236,000 people were employed in nursing services in 2010, the majority (71%) part-time. Most of the employees were female (88%). The number of employed nurses increased by 10% from 2008 to 2010, adding 22,000 nurses to the workforce within two years.

The most notable difference between privately operated and non-profit nursing services is the number of people they serve: On average, a private nursing service cares for approximately 33 people; whereas non-profit companies cater to about 60 people per nursing service.

There are several medium-sized and small-sized nursing services and networks in Germany providing nursing care. One of these is Pflegeverbund Deutschland, a network of private nursing services specialized in 24/7 care. Humanis GmbH, a medium-sized care organization, generated a turnover of EUR 3 million in 2010. Congrego Seniorenbetreuung GmbH and the U.S. subsidiary, Home Instead GmbH & Co.KG, two small nursing service companies, both started franchises for their nursing services, with roll-out still in the pilot project phase. Most of the small nursing care services operate regionally only.

In addition, temporary employment agencies such as Auxila-Pflegepartner based in Asslar (www.auxilia-pflegepartner.de) or StegMED out of Stuttgart offer qualified nursing and medical personnel on an ad-hoc and temporary basis.

Nursing homes

There were about 10,300 certified nursing homes in Germany in 2010. Most of the nursing homes, 55%, were operated by non-profit organizations such as DIAKONIE or CARITAS. Only 39% of the nursing homes were operated privately. Publicly operated nursing homes accounted for only 6% of the total.

In total, 574,000 employees worked in nursing homes in 2010, 85% of them female. More than half of the employees (57%) worked part-time. The number of employees rose by 5% from 2008 to 2010, which is a total increase of 27,000 employees in two years. The number of nursing homes increased by 5.8% (about 600) over the same period.

Germany’s largest privately operated nursing home operators are Kursana Residenzen, a limited liability corporation owned by the Dussmann group; Curanum, and Pro Seniore, both public stock corporations. Kursana Residenzen GmbH owns 95 facilities in Germany where more than 12,600 residents are served. In 2010, Kursana generated sales of EUR 279 million. In addition to Germany Kursana is currently operating in Austria, Switzerland, Estonia, and Italy.

In September 2010, Kursana took over eight nursing homes from U.S.-based Sunrise Senior Living, which offers senior living services in the U.S., Canada and the UK. Sunrise Senior Living pulled out of the German care market as a result of failing economies of scale.

Curanum AG owns 7,800 nursing homes and 1,600 apartments for assisted living. In 2010, Curanum reported sales of EUR 257 million, a plus of Eur 3.7 million; after-tax earnings stood at EUR 6.2 million. Curanum is operating only in Germany and listed on the German stock exchange. Almost 35% of Curanum’s shares are owned by a German bank, Norddeutsche Landesbank, and NAVITAS, a Dutch investment company. The other 65% of Curanum’s shares are held by minority shareholder investors, among them Audley European Opportunities Master Fund Limited; Pentagon Bernini Fund, Ltd.; Credit Suisse Group AG; and Guy Wyser Pratte.
Prospects

Although the big three nursing home operators seem to be generating sizable sales, the annual ROI stood at only 2.5% of the turnover in 2010. One of the reasons for the moderate ROI may be the fact that, while the long-term care insurance pays a large portion of nursing care (the amount paid depends on the severity of need for nursing care of the individual), the remaining part needs to be paid by the person in need of care, or by his/her family members. In many cases families are not able to pay, thus social welfare offices cover the remaining costs. Those offices chose the least expensive nursing service or nursing home available. These ‘low cost’ nursing services are mostly publicly operated or run by non-profit organizations and can offer services at lower prices that privately run institutions.

The only way to really generate profits with nursing care is by offering well-off retirees sophisticated apartments and added value with additional services or, providing state-of-the-art devices for home care. Companies that develop cost-effective technologies to foster ambient assisted living arrangements will face good market potential over the next few years.

Still, many foreign investors consider the German nursing care market promising. The German consultancy Avivre Consult expects national and foreign investors to substantially invest over the next five years based on the fact that nursing care is essential and needs to be provided, regardless of the financial situation of the end-users. Thus, in June 2011, Finance Investor Triton announced its purchase of 17.2% of Curanum shares.

Future growth of the German nursing care market

Experts expect the German professional nursing care market to grow by 3% annually over the next ten years. The expected 30% increase in the size of the German nursing care market over the next ten years reflects the dramatic demographical shifts in the country.

In addition, the market value of the nursing care sector in Germany is expected to grow: Experts anticipate an increase to EUR 37 billion by 2020 and to EUR 72 billion by 2050. In comparison, the market value in 2005 stood at EUR 26.7 billion.

“Pflegezeit” – a proposed alternative to professional nursing care

In early 2011, Federal German Minister for Family, Seniors, Women and Youth, Kristina Schröder, member of the Christian Democratic Party-CDU, introduced the “Familienpflegezeit” (family care time), a model which allows families to look after relatives in need of care while working part-time. The model aims at combining career and care for family members. Previously, employees were able to stop working for half a year to take care of their family members in need of care, but without receiving salaries, often resulting in financial problems. Under the new model, employees are able to work part-time for a maximum of two years and receive 75% of their salaries. In return, employees have to work full-time later and would still only receive 75% of their salaries for the amount of time they had been caring. The legislation is an indication that Germany is aware of demographical changes and seeks solutions for upcoming challenges.

Nursing care market as engine for jobs
Reports indicate that an increasing number of people without appropriate education are hired to provide nursing care services as a result of a lack of trained nurses in Germany. Nurses have a stressful job, and receive low social recognition and low wages. On August 10, 2010, the government passed a law on minimum wages. Nurses working in nursing care now earn a minimum of EUR 8.50 per hour in western Germany and EUR 7.50 in eastern Germany. Until mid-2013, the minimum wage is to increase to EUR 9.00 per hour and EUR 8.00, respectively.

At the same time many further education initiatives are being offered both to younger and elderly people to train for nursing. German universities now offer programs like Health Care Management or Nursing Sciences. There is a huge public awareness of the lack of nurses in Germany and the looming demographic shift. Hence the educational sector is trying to help on its own terms by providing more junior staff to the nursing care sector since at least 15,000 jobs for nursing care still remain unfilled nationwide.

Read the full market research report