PRESS INFORMATION

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DEMAND FOR CARE HOME BEDS RISES IN RUN UP TO SOCIAL CARE FUNDING REVAMP

As the country awaits word from the government on how it intends to revamp the way in which adult social care is funded, latest research from healthcare intelligence provider **Laing & Buisson** finds that despite public policy which favours non-residential solutions to support needs of the country's ageing population, efforts to divert demand away from care homes appear to be running out of steam.

After a year which saw much heated debate on how to shape the future of elderly care, as well as the high profile collapse of Southern Cross, the 2011/12 edition of *Care of Elderly People UK Market Survey* reports that the number of elderly or physically disabled people living in care homes in the UK rose to 421,000 in the year ending April 2011 – growth of 6,500 beds since 2010.

This is partnered with a reported reduction in the number of homecare hours provided in 2009/10 (the latest available figures) when the number of hours dropped by 8% from 200m a year to 183m per year. While some of this drop may be accounted for in the use of Direct Payments and the ways in which homecare hours are now recorded, it is not clear how to fully interpret this parallel trend at present.

Reflecting the gradual decline in the number of people who qualify for state support – via council reviews of eligibility criteria - the funding profile of England's care home population continues to move towards private payers in 2011, with some 41% of residents (159,000) now fully responsible for their own fees.

Although state supported residents retain a majority share at 50.5%, the report shows that if quasi-private payers are taken into account – those who pay 'top up' fees over and above those met by their local authority – in combination with outright private payers this group makes up the national majority of care home residents at 55%. NHS funded residents also increased their share to 8.5% of residents across all home types and to 20% of those more specialist nursing homes.

With this in mind a key theme of this year's report is polarisation with very different market conditions being experience by those care groups catering primarily for private pay and those catering for primarily state-paid residents.

Those with high exposure to state-pay – especially in the North and the Midlands – are experiencing a double blow from council fee freezes and reductions in the volume of local authority demand, while conditions in the private pay market in affluent areas remain relatively benign despite the downturn in the economy and the weakness of the housing market outside of London.

Commenting on the evolution of the funding profile, report author William Laing said:

> 'Within the state paid sector, most councils froze their baseline fee rates in the face of swingeing cuts in central government funding. In contrast, the private pay market continues to bear significant fee increases. As a result Laing & Buisson has found that care home fees have risen at a surprisingly high compound annual growth rate of 3.5% for nursing care and 4% for residential care over the last four years, with no sign of a break in the trend in 2011/12.
>
> Nonetheless, care home operators with a high level of exposure to local authority funding will have experienced significant pressures on margins in 2011/12, with further pressure expected in 2012/13.'

An unexpected rise in new capacity over the past three years, however, has led to a fall in home occupancy rates with new registration capacity running at about double the loss of capacity from closures.

LAING & BUISSON 29 Angel Gate City Road London EC1V 2PT 0207 833 9123
www.laingbuisson.co.uk

Once the pipeline of pre-credit crunch projects completed it had been roundly expected that the care home sector would experience a lull in construction. In fact according to the report the reverse has happened and there is, as yet, no sign of any falling off of this drive. At April 2011 capacity stood at 481,100 places in residential settings for long stay care of elderly and physically disabled people, compared to 474,600 in 2010 and up almost 3% over the 2006 figure of 467,600.

Commenting on this growth, Mr Laing said:

> 'The unexpected surge in net capacity over the last three years is the most significant trend to emerge from recent Laing & Buisson market monitoring, since it impacts on occupancy rates and profitability at a time when the sector is also being challenged by local authority constraints.
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> This is the third year in succession in which capacity has edged upwards. Prior to that, capacity had fallen for twelve successive years. If, as this report projects, capacity continues to increase in the future, the end of the first decade of this century will have marked a significant turning point in the history of UK care homes from a declining sector to (once more) a growing sector.'

With the White Paper on adult social care funding expected in the spring, Laing & Buisson's report warns that in addition to the government reaction to the Dilnot report *Fairer Care Funding* and a response to the recent *Oversight of the Social Care Market* discussion paper - which asked whether more should be done to effectively ensure service continuity in the event of financial failures being experienced by large national care providers *a la* Southern Cross – focus should be directed towards the impact of Direct Payments and personal budgets.

Looking ahead Mr Laing concluded:

> 'Widespread take-up of these new funding mechanisms could radically change the nature of homecare and home help services in Britain, though it would probably require a parallel expansion in advice and brokerage services to enable people with care needs to use their purchasing power effectively.
>
> While the potential exists for fundamental change in the social care market, the elephant in the room is that transformation and personalisation has to take place at a time of intense pressure on council budgets. Truly personalised care services are likely to be more expensive rather than less expensive.'

- END OF RELEASE –

Care of Elderly People UK - Key facts:

Care Homes

- At April 2011 care home capacity in the UK stood at 481,100 places in residential settings for long stay care of elderly and physically disabled people across all sectors (independent and public) – up 6,500 places over April 2010.
- Of this, 421,000 places were occupied in April 2011, up 3,000 over April 2010.
- The estimated annual value of the market is £14.5bn. This breaks down as: for-profit sector - £10.5bn; voluntary sector - £2bn; public sector - £2bn.
- Average care home fees across the UK for the financial year 2011/12 are £722 per week for nursing care and £542 per week for residential care.

Non-residential care services

- Public and private spending on non-residential community care services for elderly and physically disabled people is estimated at £7.8bn. Of this £4bn was spent by English local authorities on services, of which 60% were provided by the independent sector. A further £2.6bn was spent by the NHS on almost exclusively in-

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house services. Private spending accounted for an estimated £1.1bn on homecare services. A further £500m was spent via Direct Payments.

- According to the latest available figures 183m hours of homecare were purchased by English local authorities in 2009/10 – down from 200m in 2008/09. The value of this supply is estimated at £2.44bn.
- Of the homecare service delivered via local authorities, 84% is outsourced to independent providers.
- The value of privately purchased homecare is estimated at £1.1bn.

**Care of Elderly People UK Market Survey 2011/12*. Priced at £795 for hard copy and £1,155 for hard copy and PDF. Available from Laing & Buisson, 29 Angel Gate, City Road, London, EC1V 2PT. Tel: 020 7833 9123. Web: www.laingbuisson.co.uk

FOR FURTHER INFORMATION:

William Laing
Laing & Buisson
Chief Executive
Tel: 020 7923 5347
william@laingbuisson.co.uk

Justin Merritt
Laing & Buisson
Operations Director
Tel: 0207 841 0049
justin@laingbuisson.co.uk

NOTES TO EDITORS:

Founded by William Laing in 1986, Laing & Buisson is the UK's leading provider of information and market intelligence on the independent health, community care and childcare sectors.

Laing & Buisson offers a uniquely focused range of expert services to providers, purchasers and investors in the health and community care markets. Information about the range of products and services provided is summarised below.

Conferences & Awards
In addition n addition to one-off conferences on subjects selected for their special interest or topicality, Laing & Buisson's annual programme features a series of conferences - definitive events covering key developments and leading edge practice in specific areas including homecare, supported living, extra care housing, long term care for the older people, learning disabilities and mental health sectors, acute healthcare, private healthcare insurance, investing in healthcare and children's nurseries. The Independent Healthcare Forum consists of two major conferences: the acute healthcare conference and the mental health conference and a workshop for private patient units and smaller providers, with an exhibition area representing a selection of providers to the sector. The Independent Specialist Care Awards and the Independent Healthcare Awards take place in March and September, highlighting the range of achievements and recognising best practice within the sectors, and paying tribute to those who have demonstrated excellence in their particular fields.

Market Reports & Annual Directories
Laing & Buisson publishes a series of special market reports and directories on the health and community care sectors. Annual publications include Laing's Healthcare Market Review, Long Term Care: Directory of Major Providers, and the Care of Elderly People Market Survey. The research and conclusions within the reports are frequently cited in parliamentary questions and answers, official documents and company prospectuses, and are regularly drawn upon by the national media.

Newsletters
Laing & Buisson publishes two authoritative monthly newsletters - *Community Care Market News*, which covers the long-term care sector and *Healthcare Market News*, which covers the acute healthcare sector. Subscribers receive ten issues per year covering the latest events in those sectors alongside detailed analysis, special features and in-depth interviews. They can also access these stories in an online archive of news coverage which dates back well over ten years.

CareSearch and Health & Care Data
Care*Search* is Laing & Buisson's flagship data product, a 'one stop shop' with extremely flexible search facilities for those needing detailed, reliable and up-to-date information on care homes, care home groups, independent healthcare establishments, care commissioners, PCTs and inspection and registration agencies for the whole of the UK. Further to this, details of group operators, their holdings and financial information from statutory accounts offer subscribers an invaluable resource. Alternatively, individual data sets are available to supply as csv files by email. In addition to the data included on Care*Search* being available to purchase separately, home care agencies and groups can also be supplied.

Consultancy & Market Intelligence
Market intelligence and consultancy work, focusing on non-clinical aspects of health and social care markets, is tailor-made for companies with an active interest in the sector. Examples of recent work include a report on the future of the independent healthcare sector for the Healthcare Commission, the seminal work conducted by Laing & Buisson on *A Fair Price for Care* for the Joseph Rowntree Foundation and *Improving Lives – Improving Life*, a report on the key strategic issues facing the long term care sector. Laing & Buisson also frequently assists investors in market due diligence work in the health and care sectors.