PRESS RELEASE

EMBARGO: NOT FOR PUBLICATION BEFORE 00.01 HRS, 07 OCTOBER 2008

Private pay rate among older care home residents reaches 35%

An estimated 146,000 older and physically disabled care home residents in the UK are now paying their fees privately, representing 35% of the 418,000 older and physically disabled people who were living in care homes or long stay hospitals in the UK at April 2008. The figures, published in Care of Elderly People Market Survey 2008¹ by healthcare market intelligence company Laing & Buisson, show an increase of 10,000 self payers compared with the previous year.

Nearly all private payers are accommodated in private and voluntary care homes, where they account for as many as 39% of the 376,000 residents. The remaining residents of private and voluntary homes, plus the 42,000 residents in council run homes and long stay NHS hospitals, are nearly all paid for by the state – either by local councils (the majority) or by the NHS. The report’s author Alex Mitchell commented:

“While these private payer estimates may be subject to a small degree of error, there is no doubt that the trend in private payment has been upwards in recent years. Partly this is because of the rising number of owner occupiers amongst the very old population at risk of entering care homes. There have also been reports that local councils are more vigorously investigating older property owners’ entitlement to council funding and fewer people than before are passing the compulsory means test².”

William Laing, chief executive of Laing & Buisson, said:

“Most private payers in care homes in one way or another use the equity from a former owner occupied property to pay their care home fees. A declining property market hinders the realisation of property assets, but we do not believe that this will have much impact on the volume of demand for what is a needs-driven service.”

Other findings from the report include:

- Overall demand for care in residential settings increased slightly (by 1,000 over the previous year) to reach 418,000 in April 2008. Laing & Buisson believes this spells the end to well over a decade of falling demand, as demographic

¹ Care of Elderly People Market Survey 2008 is available from Laing & Buisson, 29 Angel Gate, City Road, London EC1V 2PT. Tel 020 7833 9123. Email: info@laingbuisson.co.uk. Price £645 (hard copy), £797.50 (hard copy and PDF). www.laingbuisson.co.uk.

² People in England with assets of over £22,500, including housing assets (except where a spouse or a former carer is living there), are barred from receiving council support to pay care home fees.
Pressures overtake countervailing efforts by local councils to limit care home admissions.

Looking forward, Laing & Buisson projects that UK volume of care home demand will increase slowly over the next 5 years, from 418,000 occupied places in 2008, to about 427,000 by the year 2013, before accelerating to 454,000 by 2018. Within these overall figures, public sector supply will continue to decline while demand fulfilled in independent sector care homes is projected to increase from 376,000 in 2008 to 396,000 by 2013 and 431,000 by 2018.

Care home closures, which five years ago were taking place at an alarming rate, continued to diminish. Over the last year there was a further significant drop from 269 home closures (6,421 beds) in the year to April 2007 to only 219 homes (5,368 beds) in the year to April 2008. This represents a gross national attrition rate of 1.3 per cent of the stock of care home beds at the beginning of the period, compared with a maximum attrition rate of 3.8 per cent at the peak of care home closures in the year 2000. As a result, care home closures are no longer a threat to availability of services, other than in a handful of locations. Furthermore, the downturn in the residential property market in 2008 will be a further disincentive for operators of small scale converted homes to exit the market.

New care home registrations rose to 114 homes with 5,552 beds in the year to April 2008. Looking forward, next year will see a further increase in the new registration rate, as development pipelines now in progress feed through from several of the larger care groups as well as local entrepreneurs. This resurgence in development activity is focused primarily on the private pay market, where fee rates are significantly higher than those for council supported residents.

The amount of new-build care home capacity being added each year nevertheless remains low compared with the existing stock of care homes for older people. In an analysis published in the report for the first time this year, Laing & Buisson calculates that only 10% of stock was first registered after the turn of the century and the average age of UK care homes for older people is 16 years.

Commenting on what the report’s findings mean for care home industry, William Laing said:

“Despite the prospect of a general economic downturn the UK care home sector in 2008 should remain confidently optimistic about the future. Some care home groups have experienced recent financial difficulties due in part to wider global economic forces; however, in spite of this long-term prospects continue to be strong. The sector remains robustly underpinned by demography, with the prospect of substantial growth in underlying demand in the decades to come. There is also a growing recognition that care homes form an essential part of the range of care services, and that..."
they are not going to fade away in the face of alternative non-residential alternatives. The fact that demand grew in 2008 and independent capacity continued to increase is a clear signal that the sector is moving from a contraction to an expansion phase, albeit slowly, to meet these inexorable demographic pressures”.

Providers seeking to deliver good quality services continue to be challenged by the level of public sector funding and the often inadequate fees that local authorities offer, which perpetuate two tier pricing for publicly and privately funded residents. But generally profit margins have been re-built following the severe pressures experienced around the turn of the century, and there are growing opportunities for investment in new capacity, subject to local market conditions”.

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Figure: Residents of private and voluntary care homes for older and physically disabled people, by funding source, UK 2008