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National Assembly for Wales Health and Social Care Committee

The Future of Residential Care in Wales

John Bolton Submission

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1 Introduction

This report considers two aspects of the residential care market in Wales. First, the current patterns of usage of residential care by local authorities when they assess people and fund their care. Second, some of the key factors that the private sector may consider in entering the residential care market and how they might set their prices.

2 Councils and Residential Care

I am drawing on work that I undertook last year (2011) which was published under the title of 'Better Support and Lower Costs'[1]. The work was commissioned by the Social Services Improvement Agency (SSIA), to capture the way in which Local Authorities in Wales were seeking new ways to deliver more cost effective services for older people.

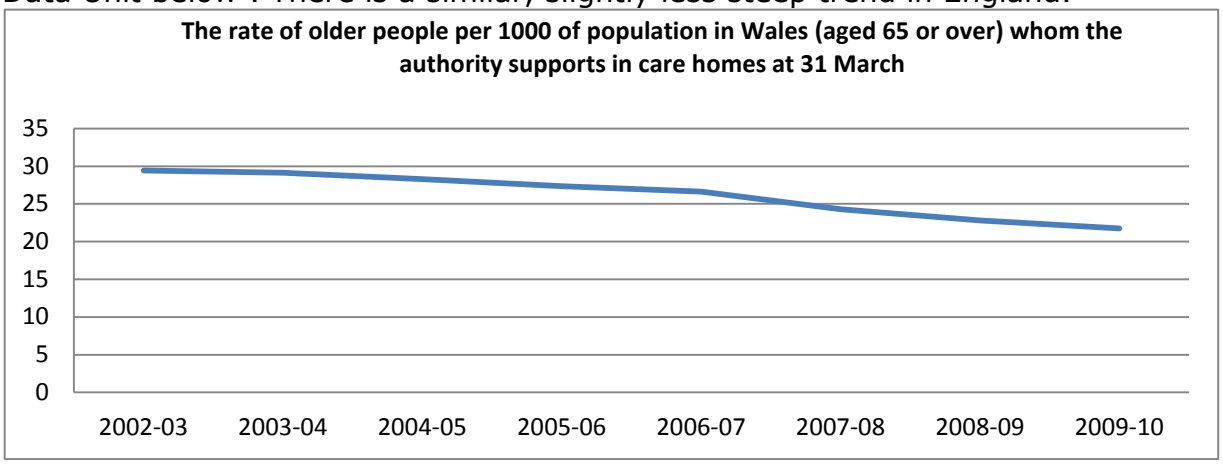
A key finding from the report was that almost every Welsh Local Authority had within their key strategies for adult social care a recognition that they needed to focus on reducing the number of placements that they funded for older people in residential care. This is not a new strategic direction and there has been an expectation for some time from the Welsh Government that the focus of social care is to help more older people remain in their own homes[2] – because that is what they say they want. For example:

"Gwynedd Council ran a series of events with older people in the County to find out their views on the services that should be planned for tomorrow. The overwhelming response from older people was that they did not want residential care for themselves. They did want enablement services that helped them regain independence; they wanted to be able to use the new assistive technologies that would help them remain safe and would enable a quick response when they had a crisis and they wanted domiciliary care that would help them at the times and in the way that suited them.[3]"

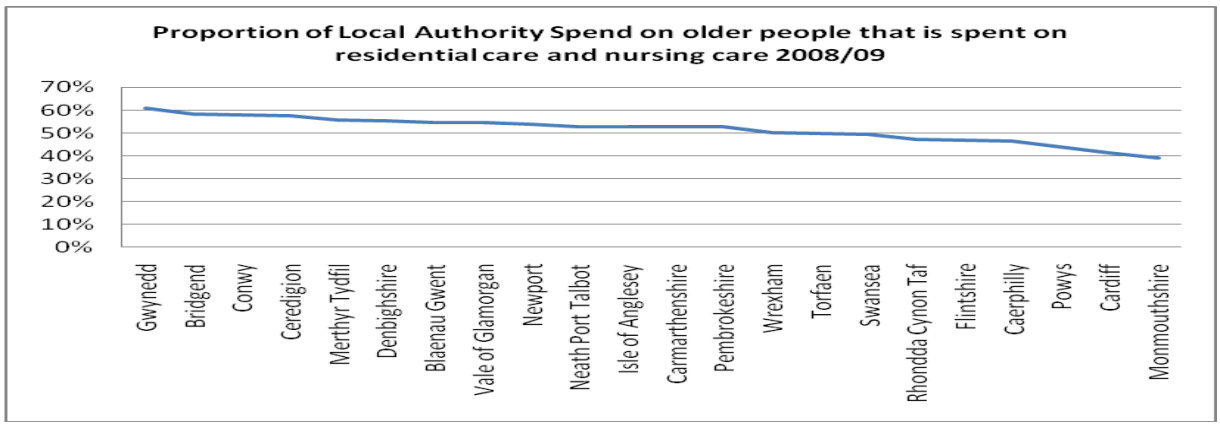
The rate at which Councils in Wales fund older people in residential care has reduced from circa 30 Older People per 100,000 in the population in 2002 to

[1] Better Support and Lower Costs – SSIA May 2011
[2] The Strategy for Older People in Wales
[3] Better Support and Lower Costs – SSIA May 2011

circa 22 per 100,000 in 2010 as can be seen in the table from the Local Govt Data Unit below[4]. There is a similar, slightly less steep trend in England.



The graph below shows the different proportions of the social care spend on elderly people in residential care from the Welsh Authorities (though not as wide as there is in England). For example, Gwynedd spent a much higher proportion of its allocated social services budget (61%) on supporting older people in residential care than Monmouthshire (39%)[5].



This variation does not appear to be simply dependent on levels of need or deprivation. Perhaps a more realistic key factor behind variation in use is related to the availability of the supply of residential care. In Gwynedd, for example there is may be an oversupply of care. But there clearly is a difference between those Local Authorities that have focused on helping older people to remain independent and continue to live in their own homes for some time, and those that are just starting that journey.

There are a number of reasons why, overall, Local Authority funded places have fallen over recent years:

- Government Policy has put a strong emphasis on helping older people to remain in their own homes and many Local Authorities have responded positively to this
- Older People, when asked, consistently report that they wish to remain in their own homes for as long as it is safe. Older people report that it is

[4] Local Government Data Unit - Wales
[5] Local Government Data Unit - Wales

sometimes a combination from pressure from health professionals and families that lead them to accept residential care.

- Local Authorities have improved their commissioning of intensive domiciliary care, and this alongside the use of assisted technology (telecare), adaptations to people's homes (see study of Neath Port Talbot in "Better Support and Lower Costs[6]") and the development of both residential and domiciliary based enablement has kept more people at home.

Preventing unnecessary admissions to residential care is one of the areas where councils can make savings in their social care expenditure, and every Council continues to explore how they might further reduce the numbers of people who require residential care in their area. Already the figures for 2009-10 show a further reduction in a number of places. The key areas on which Councils have focused to reduce admissions include:

- Have a stated policy that no one should be admitted to residential care for a new long term placement direct from a hospital bed.
- Better intermediate care including beds with a focus on reablement and recuperation
- Ensuring older people are getting the appropriate health interventions to support their recovery such as falls programmes; incontinence support; early identification of dementia; stroke recovery programmes; foot care and dental care.
- Investment by Councils in Disabled Facilities Grants which adapt an older person's house so that they can remain in the home when they become frailer.
- Better use of telecare to help people remain in their own homes, e.g., some Councils have used an IT system called "Just Checking" to help with their assessment for older people with dementia.
- Better support for people to remain in their own home and more older people funding their own residential care.
- Development of extra care housing as an alternative model to residential care
- Consider the closure of the council run care home provision where there is plentiful supply of care (as this is the area where greatest savings can be made) – see section below on unit costs.

I was not able to find any specific data on what is happening in Wales for self-funders and have therefore referred to UK analysis that has been undertaken by Laing & Buisson (who are considered to be one of the best informed organisations on what is happening across the residential care market in the UK).[7]

The evidence suggests that though there continues to be a fall in the use of residential care by older people funded by the state this has in part been compensated through a small increase in the numbers of older people who are entering residential care as self-funders. This is what might be expected as we are now finding that a generation of older people who bought their own homes

[6] Better Support and Lower Costs – SSIA 2010
[7] Care of Elderly People – UK Market Survey 2009 – Laing & Buisson

move towards the age when they might require care. Around 70% of older people in the UK own their own homes and with the current charging arrangements for care requiring people with assets to use them to pay for the care then one might expect more self-funders in the future. I have been advised that Wales has the highest degree of home ownership amongst older people.

Laing & Buisson report that "Care home companies with high exposure to public funding are likely to fare worse from 2011/12 onwards. Companies with a focus on privately paying residents are likely to fare better. On the private pay side, a weak housing market and pressure on disposable income as Britain struggles to repay its debt burden is likely to spill over into a continuation of more modest private pay fee inflation, but personal care budgets are not as constrained as local authorities' and the economic climate is not expected to impact significantly on the volume of private pay demand for a needs driven service."

Some commentators have argued that the demand for paid care may be greatly increased in the future as women abandon their traditional role as providers of informal care, citing increased rates of divorce and remarriage, smaller family sizes, greater labour mobility and more employment opportunities for women. However, this demand has not yet been seen. Admissions to residential care are still dominated by older women aged over 85 who were living alone at the time of their admission. Others have argued that 'compression of morbidity' into a shorter period at the end of life will reduce the need for long term care. There is some evidence from the United States and Britain that rates of severe disability among very old people have declined in recent years, but the evidence is not sufficiently compelling to factor into future projections. However, potential medical advances such as, for example, a breakthrough in the treatment of Alzheimer's Disease suggest that this situation will have to be kept under regular review.

It may be considered that the reductions in admissions to residential care homes achieved by some local authorities can be made by others through, for example;

- improvements to their assessment process;
- the way in which they assist older people at the time of a crisis;
- the interventions that they offer, to further reduce the numbers of older people they assess as requiring residential care.

It is possible that these actions will produce a further 10% reduction in Local Authority supported admissions over the next 5 years, which could happen despite the increase in the numbers of older people in the population.

Laing & Buisson's survey of private and voluntary care homes for older and physically disabled people, in March 2009, found an average occupancy rate of 89.8 per cent, one percentage point below the previous year. The dip in occupancy rates followed from the 2 per cent increase in UK capacity, which was not quite matched by the 1 per cent increase in volume of demand[8].

On this basis most care home providers for older people would consider that they have some security in the knowledge that the residential care market will engender sufficient demand from self-funders for them to continue in business.

[8] Care of Elderly People – UK Market Survey 2009 – Laing & Buisson

The current UK proportion of self-funders of residential care is circa 41% (according to Laing & Buisson) and nearer to 50% (according to the IPC estimate in their work for the National Market Development Forum last year). - I think we can assume a similar proportion in Wales. We might expect the proportion of older people who access residential care with their own funds to continue to increase.

This means that the local authority influence in the market (on which we currently rely in part to check the quality of the provision) will continue to decline. This might also give providers more confidence in setting a "realistic" price rather than having to take the offer that the Local Authority may make (see below).

3 The Residential Care Providers – Calculating the Cost

The PSSRU (Personal Social Services Research Unit) research paper commissioned by the Department of Health In England in 2009[9] appears to assume that residential care costs of about £500 per week are split about half and half between 'care' costs (£250) and 'hotel' costs (£250).

The Joseph Rowntree Foundation and Laing & Buisson have developed a tool which helps to calculate the cost of an efficient care home[10]. I have used their report for 2009, where it suggests that the cost of care should be as follows (2008 prices)[11]:

All figures are £ per week	Nursing Care Frail Elderly/ dementia	Frail Elderly (Non-nursing)	Dementia Care (Non-Nursing)
Provincial Ceiling	665	538	566
Provincial Floor	589	463	491

They can break down these costs in the following table:

Fair market fees for Care Homes (Provincial Costs – not London)[12]

	Nursing Care	Frail Elderly	Dementia Care
Nursing Staff	107	0	0
Care Staff	157	144	171
Domestic	46	46	46
Management/Admin	40	40	40
Agency Costs	5	2	3
Training backfill	4	2	3
Total Staff	358	234	262
Maintenance and capital expenditure	19	19	19

[9] Fernandez and Forder, 2009, Department of Health
[10] Calculating the costs of efficient care homes – Joseph Rowntree Foundation 2009
[11] Care of Elderly People – UK Market Survey 2009 – Laing & Buisson
[12] Calculating the costs of efficient care homes – Joseph Rowntree Foundation 2009 and Care of Elderly People – UK Market Survey 2009 – Laing & Buisson

	Nursing Care	Frail Elderly	Dementia Care
Repairs and Maintenance (revenue)	11	11	11
Contract maintenance of equipment	3	3	3
Total Repairs	33	33	33
Food	23	23	23
Utilities	22	22	22
Handyman/Gardening	7	7	7
Insurance	5	5	5
Medical Supplies	3	3	3
Registration Fees	3	3	3
Recruitment	2	2	2
Training	2	2	2
Other	6	6	6
Total on current costs	79	79	79

Capital Costs (12% return on capital)

Land	**43**	**43**	**43**
Buildings and Equipment to meet national standards	**153**	**149**	**149**
Total	**195**	**192**	**192**

Fair Pricing for Home

For new homes that meet standards	665	538	566
For older homes not exceeding standards	589	463	491

One can read that the proportion of staffing costs varies from 60% in a Nursing Home to 54% in a Frail Elders Home or Dementia Care Home. The fixed costs of food, utilities, maintenance etc cover about 12-15% of the overall costs[13]. If a provider is receiving less than the market rate then it has a choice of where it will make its savings – it may determine to take less from the capital value of the asset, which is common practice for long established care homes where previous borrowing has already been paid off but it does mean that the provider is not able to borrow more money or to invest in the future of the building. Another factor that will impact on the costs of the home is the occupation levels. The reported 90% occupancy level of care homes will also determine the cost of the care as staffing levels have to be maintained whoever is in the home at any point in time.

The rate being paid by Councils for a similar service does vary, as can be shown in the table below which reflects work undertaken between the North Wales Councils together to compare the price they were paying for residential care in 2009[14].

[13] Care of Elderly People – UK Market Survey 2009 – Laing & Buisson
[14] Information provided by North Wales Councils in 2010 for Better Support and Lower Costs

	Conwy	DCC	Flint	Wrexham	Ynys Mon	Gwynedd
Residential Min	342.00	332.00	407.81	334.09	375.00	345.94
Residential Max	437.00	415.58	433.43	426.20	411.00	397.67
Nursing	557.90.	536.15	553.99	546.76	549.90	540.49
EMI Residential	437.00	427.72	469.73	465.12	445.00	397.67
EMI Nursing	597.90.	561.53	590.29	585.68	594.90.	572.97

(Yellow markings indicate the lower costs.)

The above tables show that none of the North Welsh Local Authorities were paying in 2008/09 a rate at the level recommended by the JRF/Laing & Buisson model. Laing & Buisson report[15] that from their survey of providers in Wales that the average price being paid (by both local authorities and private individuals) for care is £592 for a residential care home with nursing place and £421 for a standard residential care place (2009 figures) – this would indicate that private funders are supplementing the lower price covered by local authority purchases.

Laing Buisson reported[16] that in 2009 Welsh Authorities awarded the highest baseline fee increases with an average uplift of 4.6%. Wales saw a wide range of increases with the Isle of Anglesey awarding a 1.5% increase, while Bridgend's increase of 9% gives the council the highest nursing fees and the second highest residential fees in Wales. For nursing homes, Gwynedd awarded a 13.6% increase while Caerphilly awarded a 9.9% increase. Maximum nursing fees range from £487 (Blaenau Gwent) to £561 (Bridgend). Maximum residential fees ranged from £326 (Denbighshire) to £470 (Caerphilly).

We do not have information on the need for local authority supported residents to use "top-ups" to meet the costs of their care. This is where a care home's costs for care are greater than the rate offered by the local authority and the service user through a third party agrees to pay the "additional cost" themselves because this is the care home of choice. If Local Authority rates continue to fall behind the market cost of care it is likely that this will be increasingly required of older people when they are admitted to a care home of their choice.

We can see from the above table a market where local authorities appear to be spending less on the cost of care than independent advisors suggest is necessary. Local Authorities are covering around 60% of the costs. This means that either private funders are subsidising the rates paid for by the Local Authority or providers are having to cut corners to reduce costs and are less likely to be investing in the future of the business. It is considered by many that both of these are happening. Recent court cases (for example against

[15] Care of Elderly People – UK Market Survey 2009 – Laing & Buisson.
[16] Care of Elderly People – UK Market Survey 2009 – Laing & Buisson.

Pembrokeshire County Council in December 2010[17]) suggest that this is an area of serious contention between Local Authorities and providers.

4 Trends in the Market

The majority of residential care homes in the UK are owned and run by private companies, who are not quoted on the stock exchange and for whom it is sometimes difficult to access their accounts. About 45% of the market is run by providers who own 3 homes or less – this proportion has been decreasing as larger providers buy up businesses that are available for sale. A recent confidential report in a London Borough suggested that there is no shortage of offers to purchase residential care homes for older people. This was also demonstrated by the market response to the demise of Southern Cross where the majority of the homes were either taken forward by their owners (Four Seasons) or their owners created a new company to manage the homes they owned (HC One). Of those that went out of the market some were taken on by the voluntary sector, e.g. Methodist Homes. This is of concern to some commentators as it is often hard to trace the real ownership of the companies and the overall state of their financial health is hard to monitor.

One of the important factors to recognise with Southern Cross is that it was a publically quoted company and it was possible to trace what was happening with the Care Provider, e.g., Southern Cross. It was far from easy to trace what was happening with the Care owners some of whom were offshore financed, e.g., Guernsey, Cayman Islands, etc
The same level of information is not available for other providers. Laing & Buisson report the profits for the largest care providers which they indicate for 2007-08 varied between 7% at the highest level and 0% at the lowest (Southern Cross).

Laing & Buisson use a formula to ascertain whether there is sufficient supply of residential care in each region of the UK to meet their current understanding of demand (see Table Below). Their assessment for Wales in 2009 was that there was a slightly higher than required number of nursing home beds and a slightly lower than required number of residential care beds available[18]. I would advise to treat these figures with caution and would suggest that the figures indicate that there is sufficient supply to meet current demand as occupancy levels were at 89% for nursing homes and 94% for residential care homes[19] and there are indications that Welsh Local Authorities are intending to reduce the number of placements they make.[20]

The Laing-Buisson Demand model for Residential Care for Older People

	Number of Homes	**Number of Places**	**Index if UK average = 100**
Private and Voluntary	608	10,286	78
Local Authority	120	3,548	205
Total Residential	728	13,834	93

[17] Forest Care Home Ltd v Pembrokeshire County Council, England and Wales High Court December 2010
[18] Care of Elderly People - UK market survey 2009 – Laing & Buisson
[19] Care of Elderly People – UK Market Survey 2009 – Laing & Buisson
[20] Better Support and Lower Costs – SSIA 2011

	Number of Homes	Number of Places	Index if UK average = 100
Private and Voluntary Nursing Care	283	9,563	99
NHS geriatric/EMI		2,005	222
Total		11,567	109
Total for all Nursing and Residential			**100**

5 Conclusion and Future Pointers

At present it appears that overall demand for residential care is remaining fairly static and the predicted rise demand is not materialising because local authorities are finding better ways of supporting older people to either remain in their own homes or to live in alternatives to residential care such as extra-care housing. It is believed that local authority supported placements will continue to fall for the next few years[21] and we know this is the intention for most Local Authorities in Wales[22]. Future demand will depend on a number of factors:

- **The rules agreed by UK Governments for the longer-term funding of care.** If a cap is placed on the maximum amount that a person will have to pay out to fund their own care before the state picks up the tab then that may lead to a change in patterns of care. Local Authorities may use their influence to help more older people to remain in their own homes to delay the ceiling cost being reached. On the other hand in Wales, the £50 maximum weekly charge for domiciliary care could also change the practice as there is a perverse incentive for local authorities to encourage older people into residential care (particularly if they will have to fund their own care) rather than continuing to help them at home - where a higher proportion of the cost will be met by the local authority.
- **The impact of health services on demand for social care.** In Better Support Lower Costs I cite evidence that suggests that there are 6 main health conditions that have a particular impact on demand for social care – Incontinence and Urinary Tract Infections; Dementia Care; Falls; Strokes; Podiatry Care; and Dental Care. There is some evidence that health performance in these important areas for older people is not reaching the standards that are laid down by the Royal College of Physicians. If health performance declines it is likely that we will see an increase in older people requiring an admission to a care/nursing home. The Royal College of Physicians have already highlighted poor Stroke Care in Wales as a significant issue. Overall Health has a very direct impact on the use of residential care. (See later comments on Intermediate Care).
- **The development of alternative forms of housing such as enhanced sheltered housing or extra care housing** (which has been strongly supported by the Assembly Government in the housing for rent sector) might mean that a real choice is made available to older people which will lead to a

[21] Use of Resources in Adult Social Care – Department of Health (2009)
[22] Better Support and Lower Costs – SSIA 2011

reduction in demand for residential care. This may be particularly the choice of self-funders who will want to purchase their extra-care accommodation. This enables them to benefit as they can retain the value of their property whilst still receiving the care they need. Most of the extra-care housing schemes that have been built in Wales have only dealt with older people who want to be tenants. Now that capital grants to support such developments have reduced significantly, it is likely that any future schemes can only raise the capital if a good proportion of the accommodation is for sale. This will both meet the needs of the 70% of older people who are owner occupiers and allow Councils to continue to commission new developments without Welsh Government Subsidies.

- **The use of Intermediate Care as a resource where older people can receive enablement and recuperation before an assessment** is made for the older person's long term care needs can have a significant impact on admissions to nursing and care homes. The biggest single route for an admission to a care home is direct from a hospital bed. This might be challenged as poor practice as the older person will be at their worst state if they have occupied a hospital bed for more than a week. The assessment at that time might suggest that the older person could not support themself in their own home – but it does not give them a chance to see if they might recover. My work in various councils would suggest that 1 in 5 older people who are admitted to a care home may have had their admission avoided if more time had been taken over the assessment and a period of Intermediate Care offered after the admission. The drive to free up the hospital bed should not lead to a poor outcome for the older person. "Better Support and Lower Costs" gives an example in Wales where saving money in reducing delayed discharges has probably cost significantly more money in increased admissions to nursing homes.
- **Early dementia support.** In England the Department of Health's Dementia Care strategy in 2010 claimed that early provision of support provided within a patient's home can decrease institutionalisation by 22 per cent, while carer support and counselling at diagnosis can reduce care home placement by 28 per cent. Even in complex cases where highly skilled mental health teams are required, the DH claims that proper case management can reduce admissions to care homes by 6 per cent[23]. In order to achieve this, the strategy states that outcome based homecare practices must be rolled out on a national scale. This could be through dedicated teams which allocate time prior to the beginning of a care package to build a rapport with the client and family in order to design a person-centred care package rather than the task based 15 minute visits which can work for non-dementia care. To achieve this, the strategy calls for basic training in dementia care for all homecare staff and flexibility written into working practices.

So the future of residential care will be influenced by a number of factors. Some argue that it is a 19th Century solution to the care needs of older people which needs to be modernised. This is happening slowly. Others suggest that the increased rates of dementia amongst older people means that demand will continue to increase as a care home is the safest place to monitor and support

[23] Croucher *et al*. (2006); Vallelly, S., Evans, S., Fear, T. and Means, R. *Opening the Doors to Independence: A Longitudinal Study Exploring the Contribution of Extra Care Housing to Care and Support of Older People with Dementia*. (London: Housing Corporation and Housing 21, 2006); & Molineux, P. & Appleton, N. *Supporting People with Dementia in Extra Care Housing: An Introduction to the Issues, Housing Learning and Improvement Network Factsheet 14* (London: Health and Social Care Chang

an older person with memory loss. At present we are probably on a cusp – the direction will be strongly influenced by the policy of UK Governments. If residential care homes are to survive and play an important part in the care of the ageing population they will need higher funding from the state and a wider recognition that they will be assisting a very frail group of older people who are either experiencing a long term condition which requires constant care and attention or for people who require palliative care.

In the process of managing this transition carefully, ensuring efficiency and minimising the risk of services failure, the Commission may wish to consider the following approaches which IPC would recommend based on its long experience of service and market development across England, Scotland and Wales:

- Strengthen support for constructive market relationships in the sector. A good start was made in the work on the Memorandum of Understanding 'Securing Strong Partnerships in Care' agreed by the WLGA, ADSS Cymru, Care Forum Wales, The Registered Nursing Home Association & The UK Home Care Association in February 2009. In view of the changes in the market and in national policy since then it may be worth revisiting the Memorandum and investing in resources which provide advice and guidance for Local Authorities and their provider partners on how best to resolve disputes before going to court.
- Strengthen the market facilitation role of local authorities including the production of a market position statement. The IPC has worked in England and Wales to build partnerships between the public and the independent sectors. In order to achieve this, a number of tools have been developed. One specific tool which a small number of Welsh Authorities have already adopted is "a Market Position Statement". This is a document which sits alongside the Council's Strategic (Commissioning) Plan in order to give a clear indication for all providers as to the predicted demand for care within that authority (covering the predicted needs of self-funders and those for whom the Council is likely to be funding their care). It captures the current state of local provision and helps determine the likely pattern for future demand.
- Develop a national market overview role drawing together intelligence about costs and quality and governance of providers (which we consider is an omission in the understanding of what is happening in Wales) which can be used by Local Authorities, providers and the public to promote greater transparency and openness in the market.
- Build a national overview of evidence on good practice in prevention and early intervention to inform local authority future practices, to encourage Local Authorities and their provider partners to consider the evidence behind new forms of service provision which provide more successful alternatives to traditional residential care.

Professor John Bolton on behalf of
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