

Sustainability of Social Care

Challenges and Solutions

A Provider's Perspective

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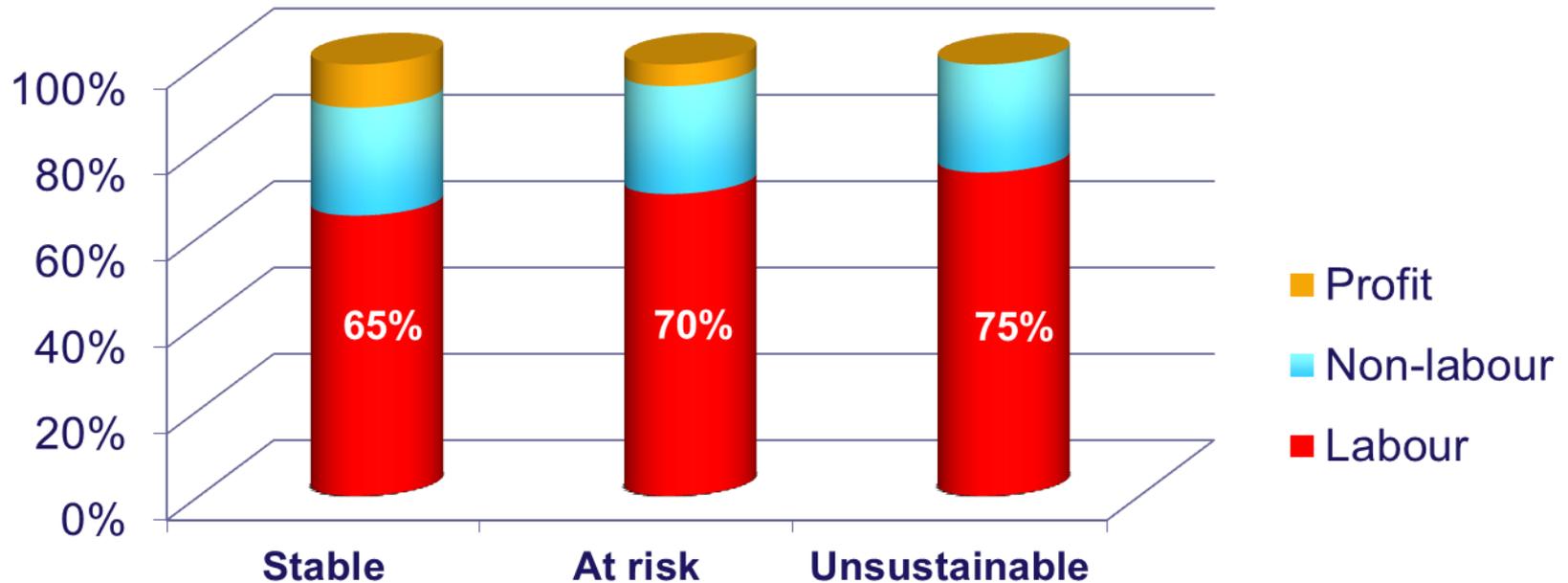
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How big a problem and what to do....



- **A spot of bother or a crisis?**
- **Likely consequences**
- **Possible responses**

Domiciliary care economics before National Living Wage



Labour cost £10 to £12 per hour:

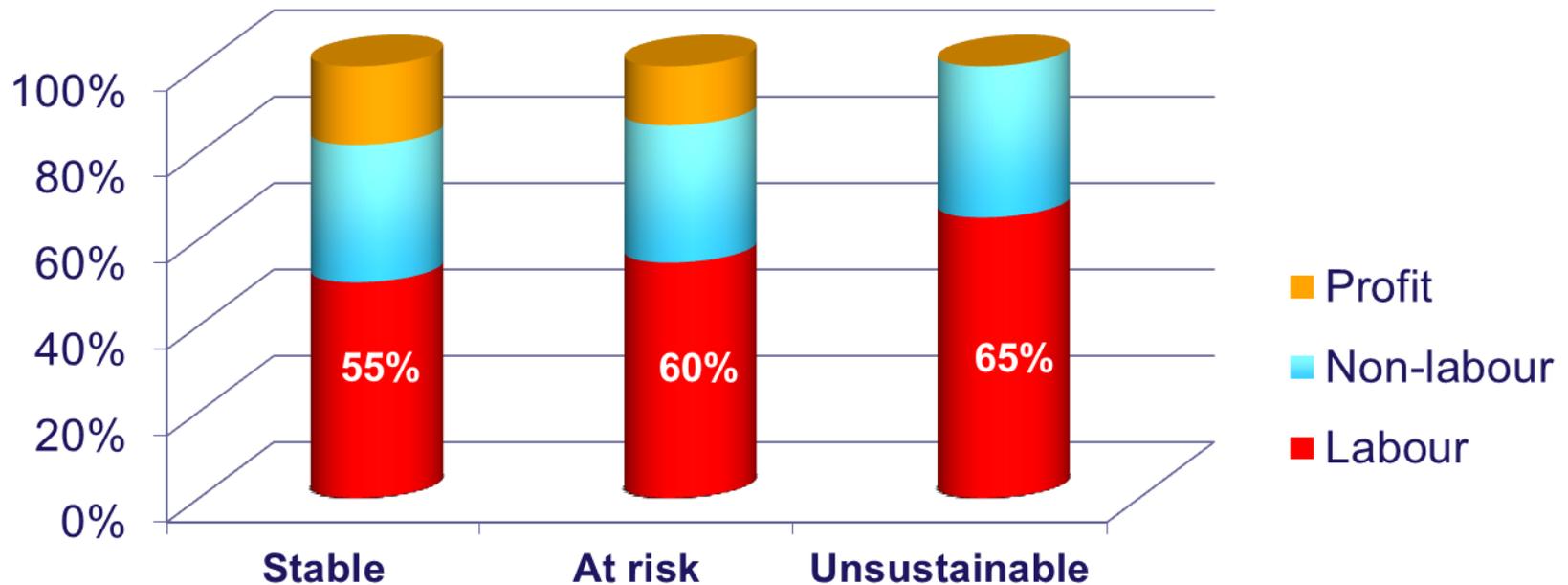
- NMW £6-70
- Travel time and costs £1 to £3
- Holiday pay, SSP, SMP, auto enrolment, Employers NI £2

Non-labour costs circa 25% of income = £3 to £4 per hour:

- Branch costs 17%
- Recruitment and training 3.2%
- Supervisory and quality management 4.8%

- **Funding and workforce not aligned to service complexity**
 - Low pay, high turnover and staffing shortages
 - Zero hours & unpaid travel – unsustainable and drives poor practice
 - Squeezed indirect costs, quality supervision and training
 - Limited opportunity to balance with self pay
 - GPS technology available but not rewarded
- **Providers now hitting cash losses**
 - Corporate providers abandoning the sector, ‘last man standing’ strategy
 - Small providers going bust
 - Recovery potential from entrepreneurial start ups – two to three year lag?
- **Impact on health, well being and NHS cost?**
- **Impact on mortality?**

Residential care economics before National Living Wage

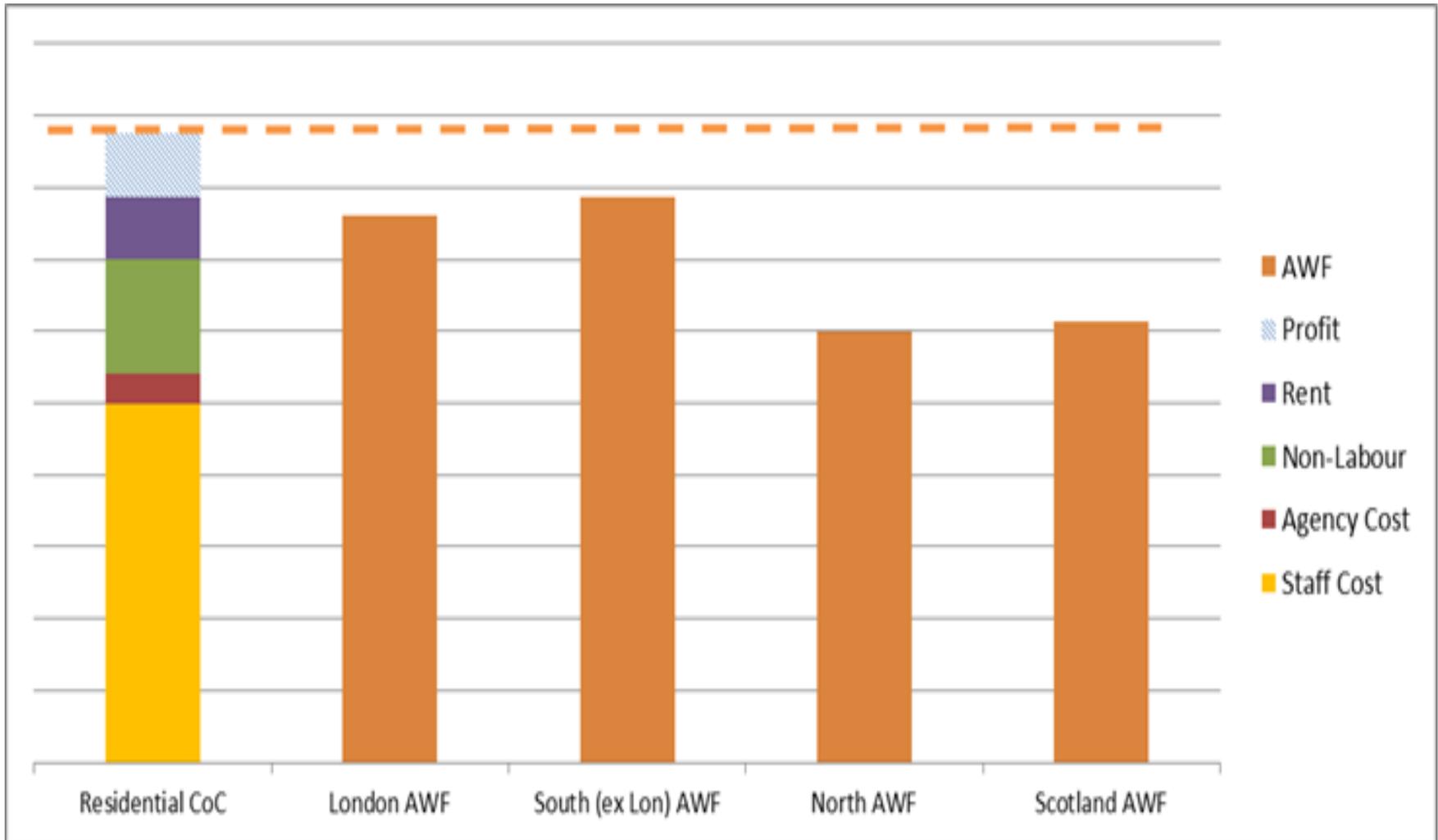


Non-labour costs 35%:

- Home operating costs 15%
- Rent 12% (for £50k per bed build or acquisition cost)
- Recruitment, training, supervisory and quality management 6%
- Maintenance capital 3%

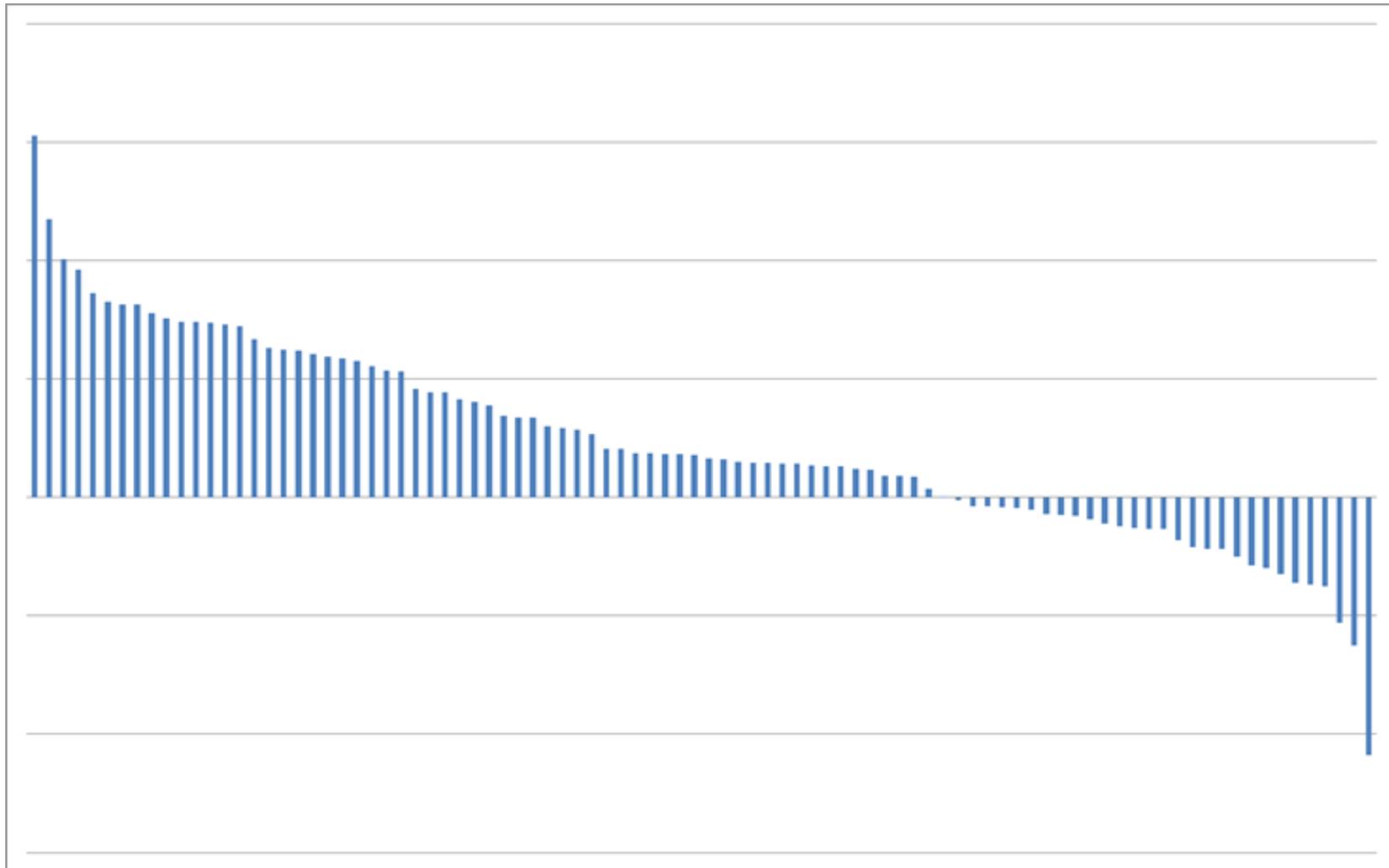
Excludes debt and financing cost

Typical cost of care vs fees: Nursing care



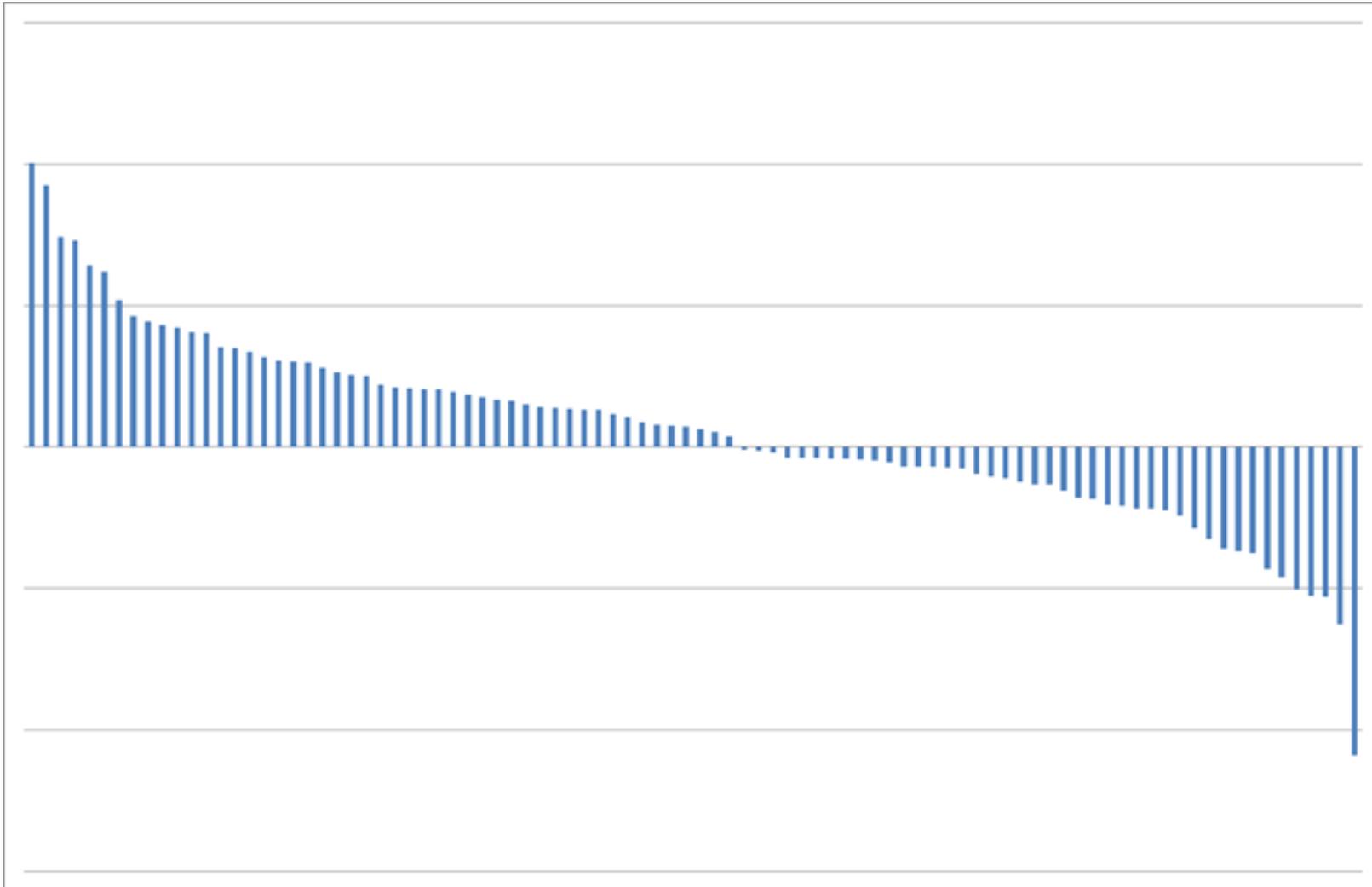
Typical care home profitability

After actual rent but no notional rent for freeholds
before National Living Wage



Typical care home profitability

After actual rent and notional rent for freeholds
before National Living Wage



UK care home properties

Knight Frank overview



- Average 25 beds per care home
- 85% over 50 years old
- 50% bedrooms lack any en suite facilities
- £15bn to upgrade non- en suites

- Current Care UK new build cost = £120,000 to £150,000 per bed
- Weekly fee of £900 to £1,200 required to generate market return on capital

- **Non-availability or variable quality of nurses, even at inflated labour rates**
- **Switch to self pay creating a two tier system**
- **No new builds for public pay – existing stock dated**
- **Pressure on families to pay top ups**
 - **What happens when self pay funds run out?**
- **Home closures inevitable – probable lag and preceded by ownership change**
- **Several years and higher capital cost for new builds, subject to investor case and confidence**

Political

- Better funding (Holland double to quadruple UK social care funding)
- Social care means tested but not older people benefits / attendance allowance

Smart investment funding

- Use of capital and/or long term partnership agreements – eg Suffolk

NHS funding / integrated care / devolution

- Hospital admission avoidance
- Discharge to home and development of social / medical care 'wards'

Operational technology and support

- Supported tele-care
- Supported technology (eg Apps) to assist families and volunteers

Conclusion

A crisis.....

Here and now for domiciliary care, but simpler and quicker to rescue

Residential care may cling on for a while, but then significant capacity loss with several years to recover, at a step change in cost

Two tier care system

Exponential cost impact for the NHS