



UKHCA Briefing

Market Stability Survey

September 2015

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Introduction

The stability of the social care provider market, in both homecare and residential care services, is becoming a critical concern for providers, regulators and Government.

In England, Government has already established a regime to detect and manage the failure of the very largest and most difficult to replace providers of care homes and homecare services. A similar scheme is envisaged in Wales. However, these measures will not in themselves prevent market failure and the consequences this will have on older and disabled people who rely on a properly resourced, stable care market in order to be supported at home or in their local community.

Persistent underfunding of homecare services has been repeatedly reported by UKHCA. The Association has already undertaken research with corporate homecare providers as part of its initial submission to Government's Spending Review 2015. This briefing provides the results of a further survey undertaken by UKHCA with homecare agencies at a local level and was conducted in conjunction with ITV's "Tonight" programme.

This survey substantiates UKHCA's view that there is already evidence of independent and voluntary sector homecare providers beginning to turn away uneconomic local authority business. Councils need to address the existing underfunding of homecare, and providers need to recoup the additional costs of the National Living Wage from the fees they are able to charge to their customers. In the absence of adequate funding the survey demonstrates the possibility of widespread failure in local care markets.

Colin Angel, Policy and Campaigns Director
United Kingdom Homecare Association

Executive summary

- This briefing shows the results of a survey of 492 homecare providers in the UK (92% in England), with 63% of providers trading with one or more local authorities (or health and social care trusts in Northern Ireland).
- Providers in the survey delivered almost 888,000 hours of care a week to over 85,000 people at home.
- 93% of providers trading with councils had faced a real-terms decrease in the price paid for their services in the last 12 months, with 20% reporting authorities decreasing the actual fees paid.
- 50% of providers who were aware of tender opportunities from their local councils had declined to bid for one or more contract on the basis of price.
- Over the last 12 months, 71% of providers trading with councils had refused to take on new packages referred to them 'regularly' or 'occasionally' on the basis of the price offered.
- There is some evidence of providers having already begun to hand back packages of care to their local authority commissioners over the last 12 months, affecting 1,807 people's care in the sample (compared to an estimated 59,500 service users receiving care from these providers in a typical week).
- The vast majority of providers (71%) said they were not confident that the fee levels would meet the additional costs of the new National Living Wage; and that the additional costs would affect the quality of care (74%).
- There is strong evidence of pending market instability over the next year: 74% of providers trading with councils said that they would reduce the amount of publicly funded care they delivered, estimated to affect 50% of all the service users they support.
- 11% of all providers thought that they would 'definitely' or 'probably' have ceased trading within the next twelve months. Just 38% of providers were completely confident that they would still be in business at the same time next year.

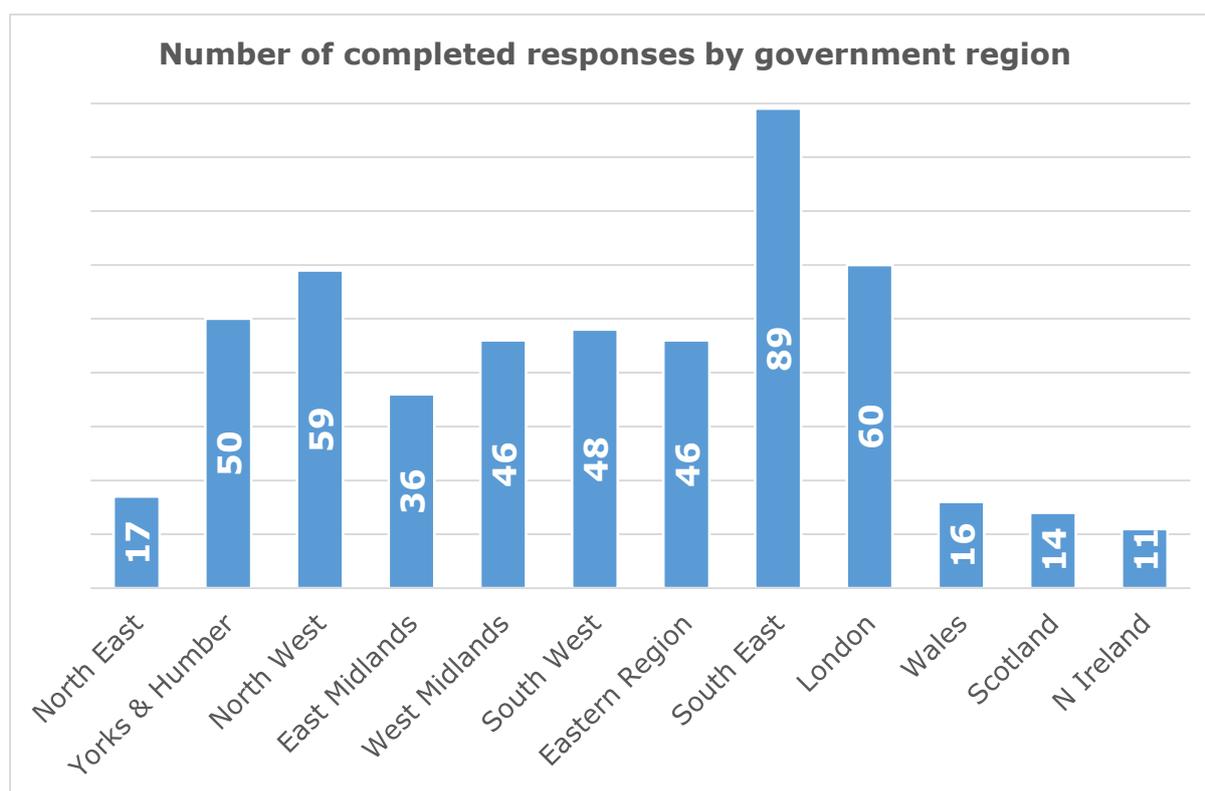
Survey size and composition

After data cleansing, 492 completed survey responses were received from providers across the UK, of which 308 (63%) confirmed they traded with local councils (or the health and social care trusts in Northern Ireland).¹

For the purposes of this survey, we collected responses from individual locations, whether they were stand-alone businesses, franchises or branches of larger providers.

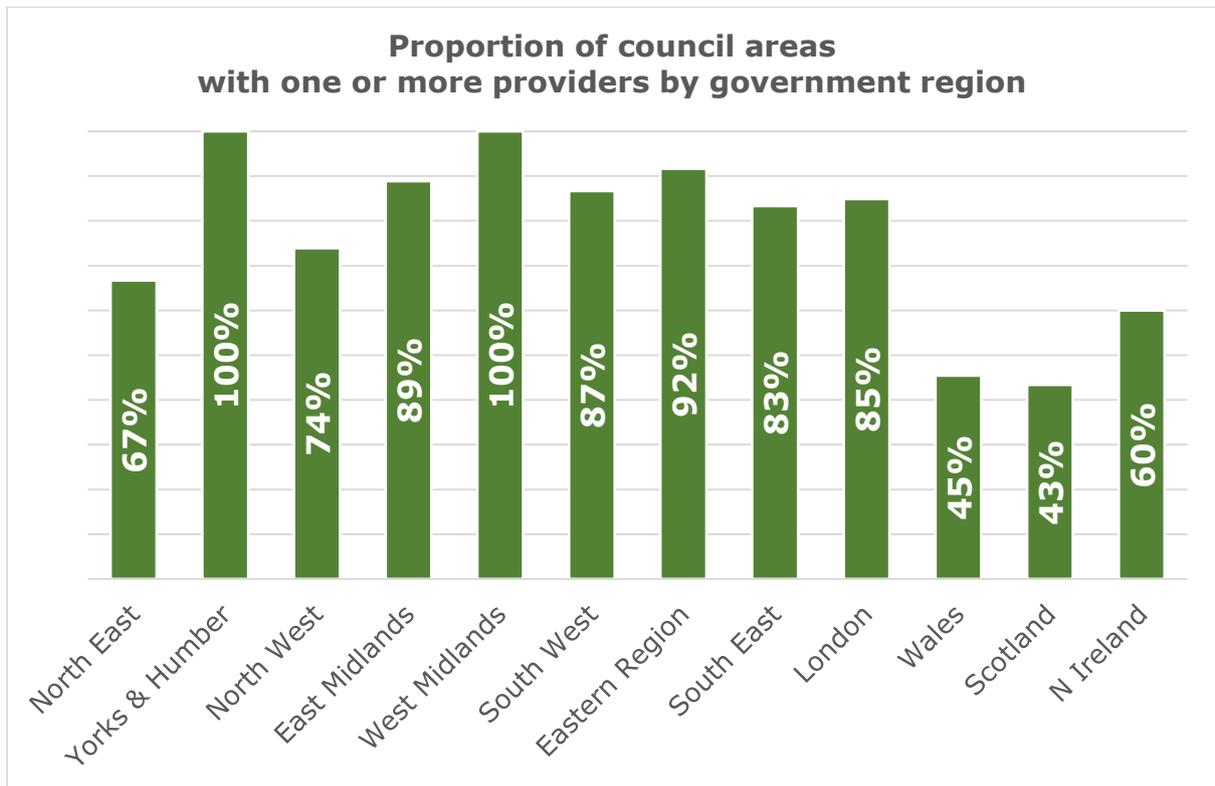
The distribution of completed responses was:

- England: 451 (92%)
- Wales: 16 (3%)
- Scotland: 14 (3%)
- Northern Ireland: 11 (2%)



All of England's government regions were represented in the survey, with a range of 17 to 89 responses per region (median 48).

¹ For the remainder of this report references to 'councils' or 'authorities' should be assumed to refer to 'Health and Social Care Trusts' in Northern Ireland.



There was good coverage of providers based in different local authority areas, as we received responses from providers based in 155 (75%) of the 208 local councils (and NI Trusts) which purchase social care.²

We received responses from one or more providers based in:

- 85% of councils in England
- 45% of councils in Wales
- 43% of councils in Scotland
- 60% of the health and social care trusts in Northern Ireland

People receiving care and number of hours

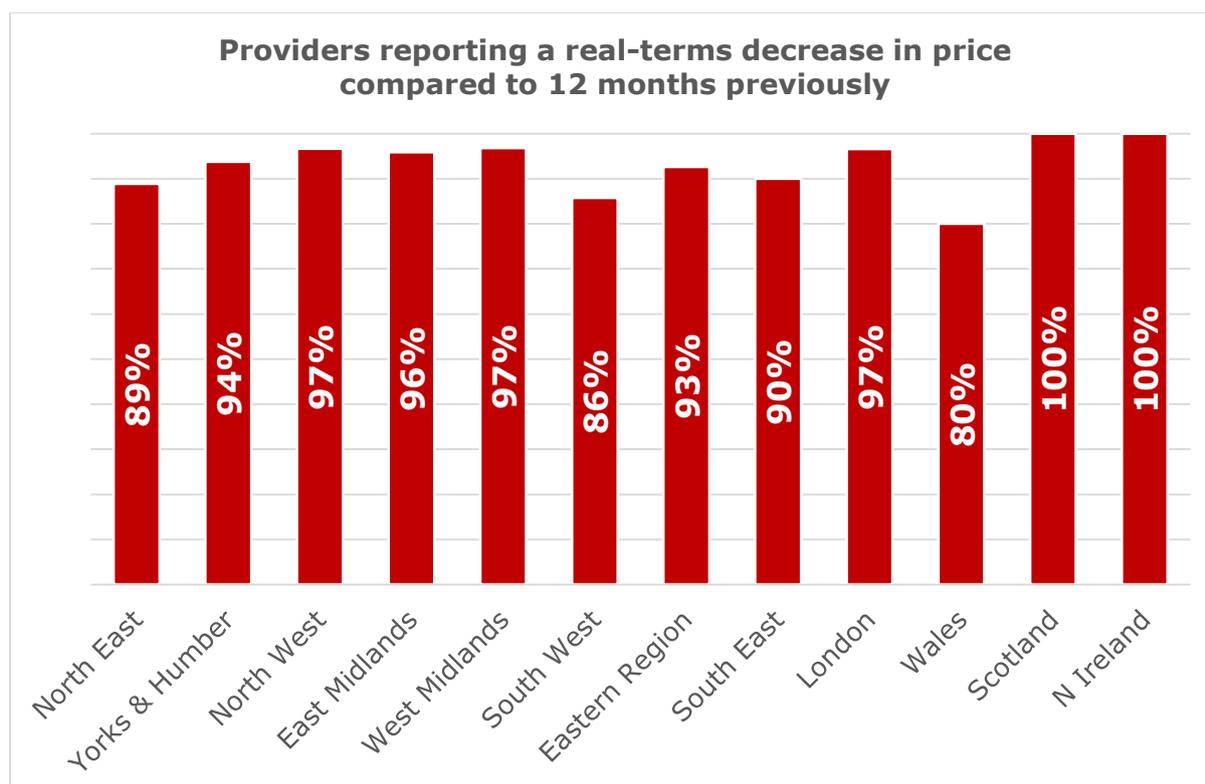
The providers in the sample delivered a total of 887,962 hours of care per week (whether funded by councils or other sources) to 85,000 people in their own homes.

² Excludes Isles of Scilly, Orkney and Shetland, where councils have previously confirmed that they do not purchase homecare services from the independent and voluntary sector.

The survey appears to have covered a wide range of sizes of business, as respondents reported delivering services to between 1 and 2,714 people per location (median 100 people per branch).

Change in local authority rates over last 12 months

Unsurprisingly, considering the well-reported constraints on public funding, 74% of providers said that they had requested a rate increase from the local council(s) to which they supplied services over the last 12 months.



The overwhelming majority of providers (93%) reported receiving a real-terms decrease in the price they received from the councils with which they trade over the previous 12 months.³

20% of providers reported an actual reduction in price compared to the previous year, and just 7% reported a rate increase above inflation from the councils with which they trade.

³ A "real-terms decrease" is where, compared to the previous 12 months prices have (a) increased, but at a rate below inflation; (b) remained unchanged or (c) have been actually reduced.

Tender opportunities with local councils

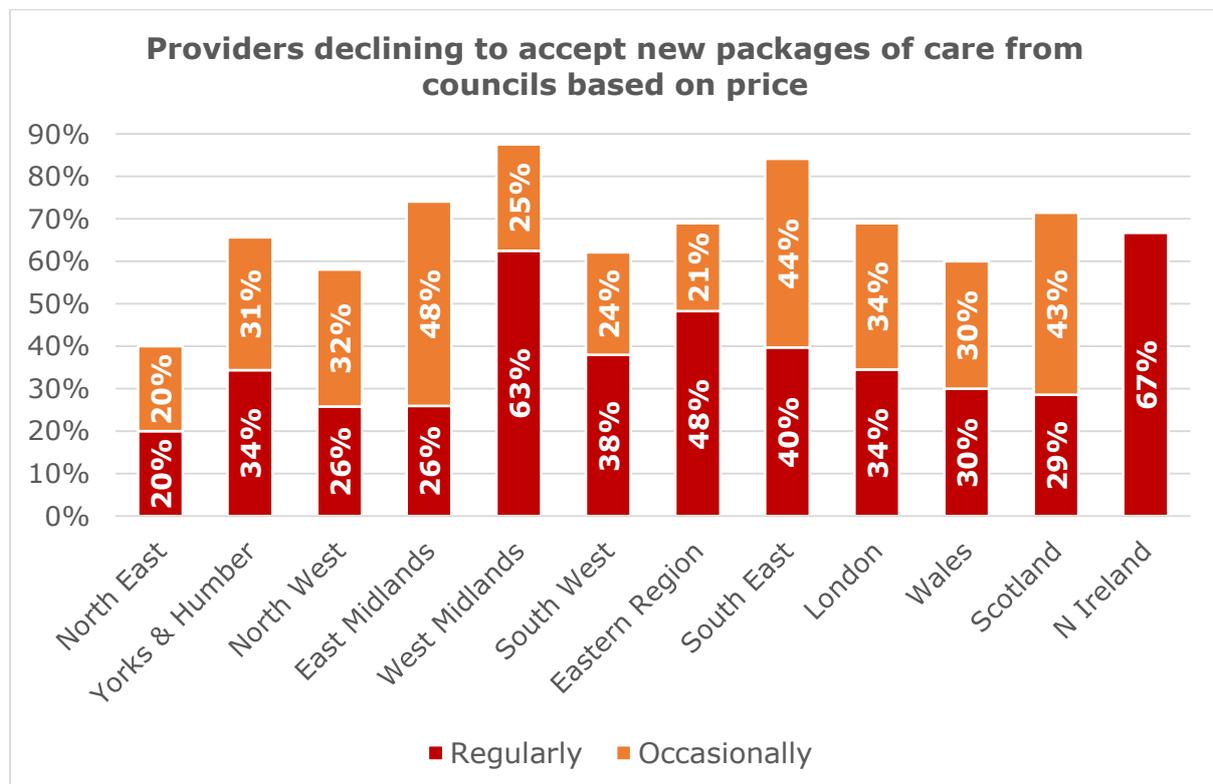
270 providers (55% of total) were aware of one or more tender opportunities with a council in their area, where they considered entering a bid.

However, 135 of those providers (50% of those with a tender opportunity) declined to bid for at least one of these contracts on the assumption that the price that the council would pay successful bidders was too low for their business needs.

While concern over insufficient prices is just one of several reasons that provider may decide not to bid, our findings suggest that this was a contributing factor for up to 76% of all providers who indicated they had declined to bid for one or more contracts for any reason.

Providers declining to take on new packages of care from councils

219 (71%) of the 308 providers who traded with one or more local authorities said they had refused to accept certain new care packages from an authority because the price paid was too low for the services required.⁴



⁴ We suspect that these figures would be even higher, but for the fact that a number of contracts do not permit providers to turn-down any packages of care requested of them.

39% of providers declined to take on new packages of care 'regularly' and 32% did so 'occasionally'.

The reason for these decisions may not be purely financial, but may represent providers' assessment that workers cannot complete the care safely (or with sufficient dignity) within the amount of time the council was prepared to purchase of behalf of the individual.

Providers handing back people's care over the 12 months to September 2015

79 (26%) of providers trading with local councils reported having handed back 1,807 people's packages of care on the basis of insufficient price over the previous 12 months.

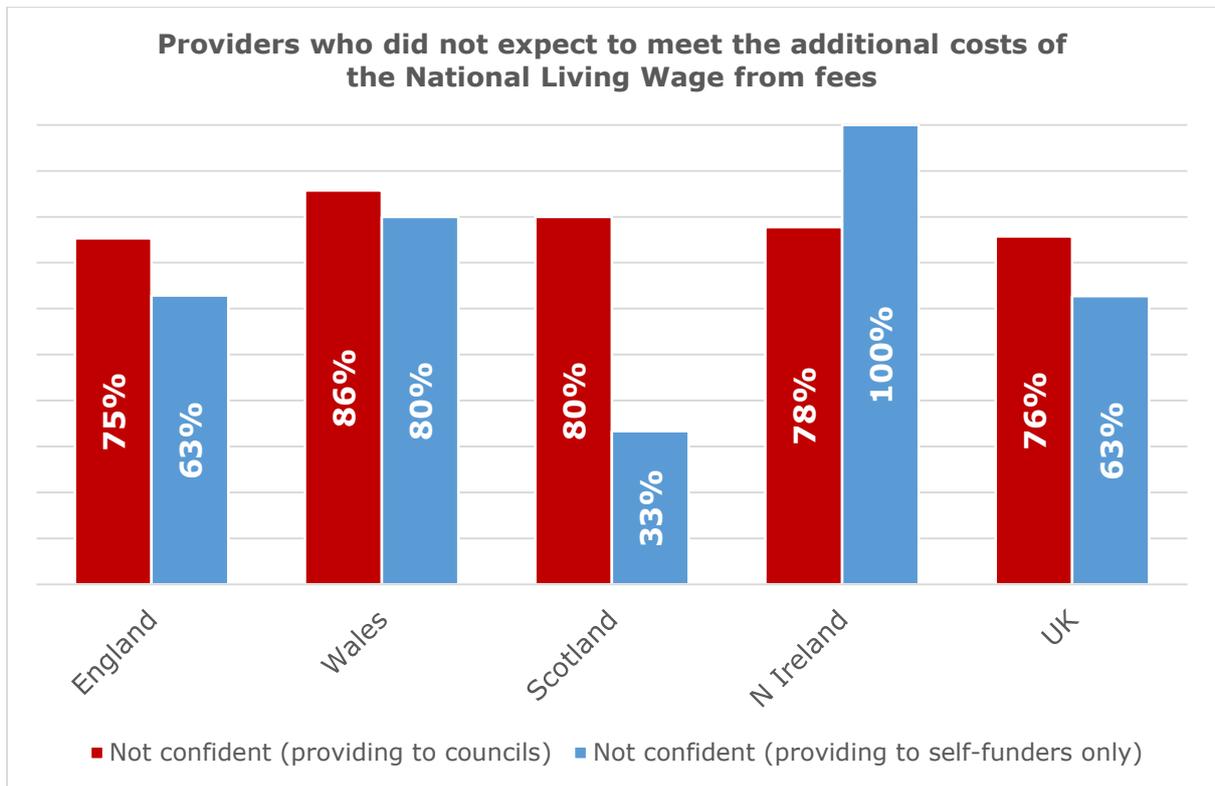
The number of packages of care handed-back to councils by individual providers during the previous 12 months ranged from 1 to 400 (median 8).

This appears to be a small proportion of care returned to councils, considering our estimate that 59,500 people in this sample are likely to receive care arranged by their council in any given week.⁵

Providers lack confidence that the costs of the new Living Wage can be met from fees

71% of all providers who expressed an opinion said that they were concerned about their ability to meet the costs of the new National Living Wage from the fees they could charge.

⁵ We assume that 70% of all homecare services are commissioned by local councils.



It is notable that providers supplying to councils were even less confident of meeting the costs of NLW than those who supplied mainly to self-funders (76% and 63% stated they were not confident respectively).

Providers concerns about an impact of quality due to the costs of the new Living Wage

Regardless of whether or not providers believed they could meet the costs of the Living Wage from the fees they are able to generate, there was similar concern that the additional costs would impact on quality.

74% of providers who expressed an opinion said there would be an impact on quality (75% of those supplying to councils and 71% supplying exclusively to self-funders).

This may suggest that even those providers who felt they could meet the additional costs might feel the need to make economies which would impact on quality in order to do so.

Impact of the new National Living Wage on people relying on state-funded care

213 (74%) of 288 providers trading with councils told us that, following the announcement of the National Living Wage (NLW), they would have look to cease or reduce their supply to councils with which they trade.

If these predictions were actually carried-out, this would affect 19,491 people's care, or 50% of all people receiving care from these providers (including those who fund their own care).

Given providers' lack of confidence in meeting the costs of NLW, also reported in this survey, these findings are not unreasonable.

Even if providers' estimates are over-stated, the need for councils to meet the full costs of homecare services by April 2016, local care markets will become extremely unstable.

Providers' expectation of their trading status in 12 months' time

11% of all 492 providers said that they would definitely (2%), or probably (9%), have ceased trading by September 2016.

Only 38% of providers were entirely confident that they would still be trading in a year's time.