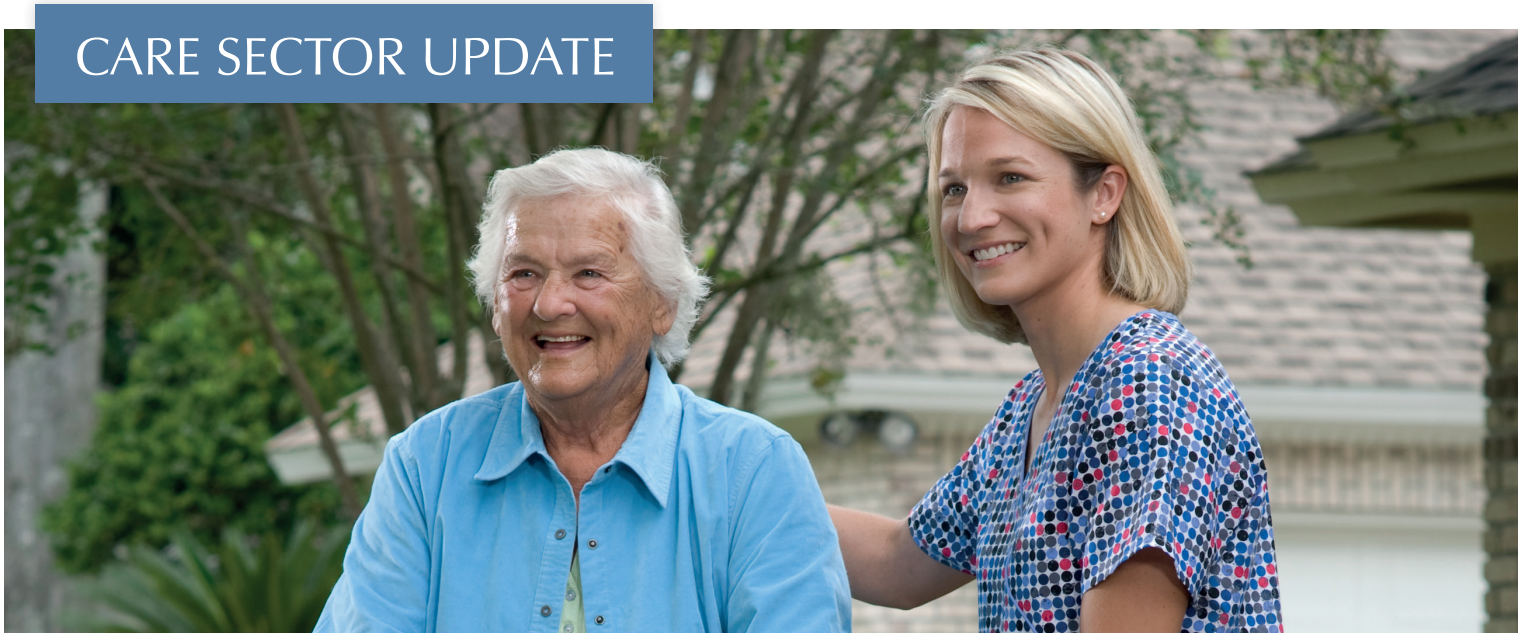
CARE SECTOR UPDATE



IMPACT OF NATIONAL LIVING WAGE (NLW) ON SOCIAL CARE

There is no denying that the NLW is a challenge for the care sector. Over 90% of councils have adopted the 2% precept from the 2015 November spending review, but research has shown that care fees need to increase by a minimum of 5%.

Home and domiciliary providers across the country could be facing a cash crisis.

Care providers are being squeezed by the fall in fees that councils pay and a rise in staff costs, both in the care home and domiciliary sector. The squeeze increased with the introduction of the NLW from 1 April 2016, meaning that all staff over the age of 25 are paid at least £7.20 per hour. This may also create upward pressure with other staffing grades.

Currently fee increases since April 2016 by the Independent sector have risen by the local authority framework levels ranging from 0.61%/1.63% to 5.9%/6.1%, with Somerset 2.1% (residential) and 4.2% (nursing).

The self funders are taking up the cost of care gap with fees driven up reflecting a range of 5% to 10% increases and this is set to continue as the cost of care switches from Government funding to the general public. Community caring will grow in significance with family, friends and volunteers all stepping in to help a rapidly aging population with increased co morbidities.

There is a positive to the NLW; many front line staff are paid at or close to the statutory level and an increase of 50p per hour will reflect a greater reward for their work. This does not reflect the value of their work which requires ever increasing compassion and dedication as well as enhanced skills, as the nature of people's conditions becomes more complex.

The NLW could attract staff from other sectors as the technological advances take over from people (a simple example being self service checkouts in super markets). A machine cannot take away the job of a carer, some people just want company, someone to sit with them, listen and talk, hold their hand and reminisce about the good times. Time and compassion is sometimes all that is needed.

Thus, the NLW could provide opportunities to attract staff who might not have considered caring as a career. There are transferable skills between retail and hospitality and the care sector. There is therefore a current opportunity to recruit and manage agency fees within budget.

Greater collaboration is anticipated between the social care sector and commissioning bodies in order to sustain existing care provision, and it is now that the independent sector needs to look at their financials at least three years ahead in order to assess the level of the income required for sustainability.

If providers cannot access the self funding market, genuine cases should be presented to the commissioners for a greater fee contribution, otherwise the care sector may be looking at a rising number of closures, due to inadequacies of funding and not inadequacy of care.

Currently and ongoing the bargaining strength of commissioners is decreasing. In the past, as Government resources have dwindled, the gap between the cost of care and local authority fees has increased. Across the counties some 2016/17 fee increases have reflected a growing need for more Government funding but in some areas there is a considerable underprovision in the care home sector. The councils have stated that this is to reflect the Government's intention to encourage more care at home with growing support from the domiciliary sector and community spirit.

Considering the future of care home providers, we expect to see the Residential care home model moving wholly towards a private provision, deemed hotels for the elderly with an increasing takeup from the nursing and dementia sector as hospitals seek to discharge faster to the social service sector in order to stop the ever increasing blocked bed scenario. The care home provision needs to have sustainable funding with a lower gearing model and greater investment in staffing and the environment. There will be greater negotiations around fee levels as service users step down from the hospital environment. Commissioning officers are realizing that complex nursing and Dementia patients cannot move into the independent sector at a fraction of the price the care would cost the NHS.

Commissioners need to ensure environments are safe, there is now greater emphasis on CQC Reports, with "inadequate" seen as a potentially failing provision, and not acceptable as a provider of care. Over the next 12-18 months we can expect to see more providers closing as embargos are placed on provisions of inadequate care, and those new to the business will need to demonstrate financial serviceability and experience for acquisition and growth financing.

From December 2015, whether through inadequate funding or inadequacy of service, the care sector has decreasing levels of bed provision and care home provision will escalate with families and the community unable to cope with the complexity of the service user.

Although there is a tightening financial environment in the care sector, carefully thought out business plans and financial strategies will result in strong, viable and sustainable businesses and opportunities currently exist for the investor with vision.

The Government must continue to support social care and we will watch the future integration of the NHS and social care funding with interest.

As the country's population becomes older, care provision will become even more essential. It has been reported that at least 5,600 care homes are "at risk", which represents about a third of the 18,000 in the country.

Care providers need to adapt in order to avoid a crisis larger than the collapse of Southern Cross

Source: The Guardian

Julie Hopkins' own thoughts and research

MEET THE AUTHOR

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