

Institute of Public Care

Market Shaping in Adult Social Care

July 2017



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1 Introduction

High-quality, personalised care and support can only be achieved where there is a vibrant, responsive market of service providers. The Care Act (2014) introduced new duties for councils in England to facilitate and shape a diverse, sustainable and quality market, emphasising that councils should not undertake any activities that may threaten the stability of the market as a whole.

This paper, published by the Institute of Public Care (IPC) at Oxford Brookes University, aims to capture the key points of a presentation given by IPC Assistant Director Fiona Richardson at the Health plus Care conference in June 2017. It analyses changes in the care home market in England before and after the Care Act (2014) and summarises experience from IPC's work on market shaping. Whilst both councils and the NHS are key commissioners in this market, this paper concentrates on councils.

1.1 Market shaping review

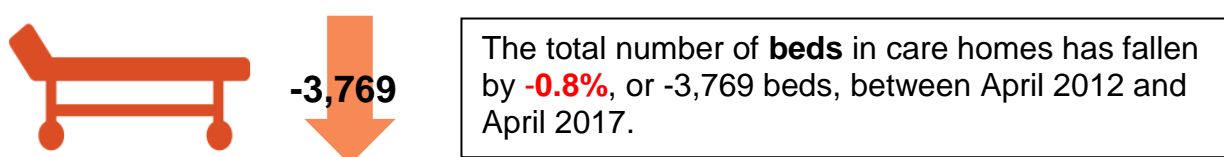
In 2016 the Department of Health, Local Government Association, Association of Directors of Adult Social Services and Care Provider Alliance asked IPC to undertake a [market shaping review](#) to help commissioners and providers work together, take stock of progress, and highlight good market shaping practice across England. We worked in partnership with the sector to review progress, update [national guidance](#) and publish useful tools such as the [market position statement database](#) and discussion paper on [place-based market shaping](#), which was published in autumn 2016.

2 The care home market in England 2012 to 2017

Since we completed the market shaping review there have been many reports and warnings of a sector in crisis. For example, in December 2016 the BBC reported "[London care home closure rate nearing 'crisis level'](#): five hundred care homes have closed in the capital in the past decade, the number of care home beds has increased nationally by 5% on average in that time, while in London it had decreased by 8%."

How does this compare to other regions and has that closure rate slowed or increased more recently? How has the Care Act (2014), and the market shaping duty, influenced the care home market? We conducted an analysis of the care home market in England over the last five years¹.

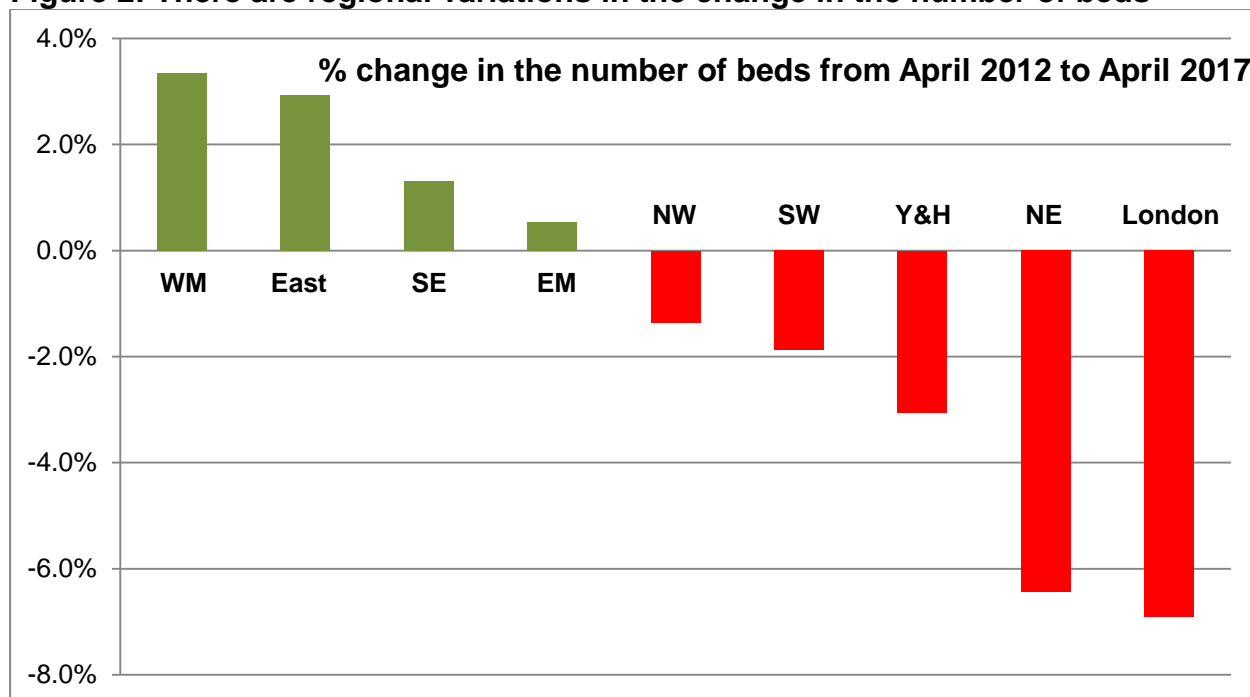
Figure 1: The number of care home beds has fallen



¹ All figures are from the Care Quality Commission (CQC) [care directory](#) unless otherwise stated. Care directories show active locations for registered providers. Our analysis of the 'care home market' includes active residential and nursing homes registered for any "service user band" and all "service types".

In April 2012 there were 463,563 beds in care homes in England and by April 2017 that had reduced to 459,794, a drop of 3,769 beds or 0.8%. However, that overall figure disguises large regional variations: from a 3.4% increase in the West Midlands to a 6.9% decrease in London (see appendix one).

Figure 2: There are regional variations in the change in the number of beds



The overall decrease of 0.8% conceals a long-term trend of increasing numbers of nursing home beds and decreasing numbers of residential home beds. However, the increase in nursing home beds came to a halt around April 2015 (see figure 3). Since then, the provision of nursing home beds has declined and there were 3,644 fewer nursing home beds in April 2017 than there were in April 2015.

Figure 3: Number of residential and nursing home beds

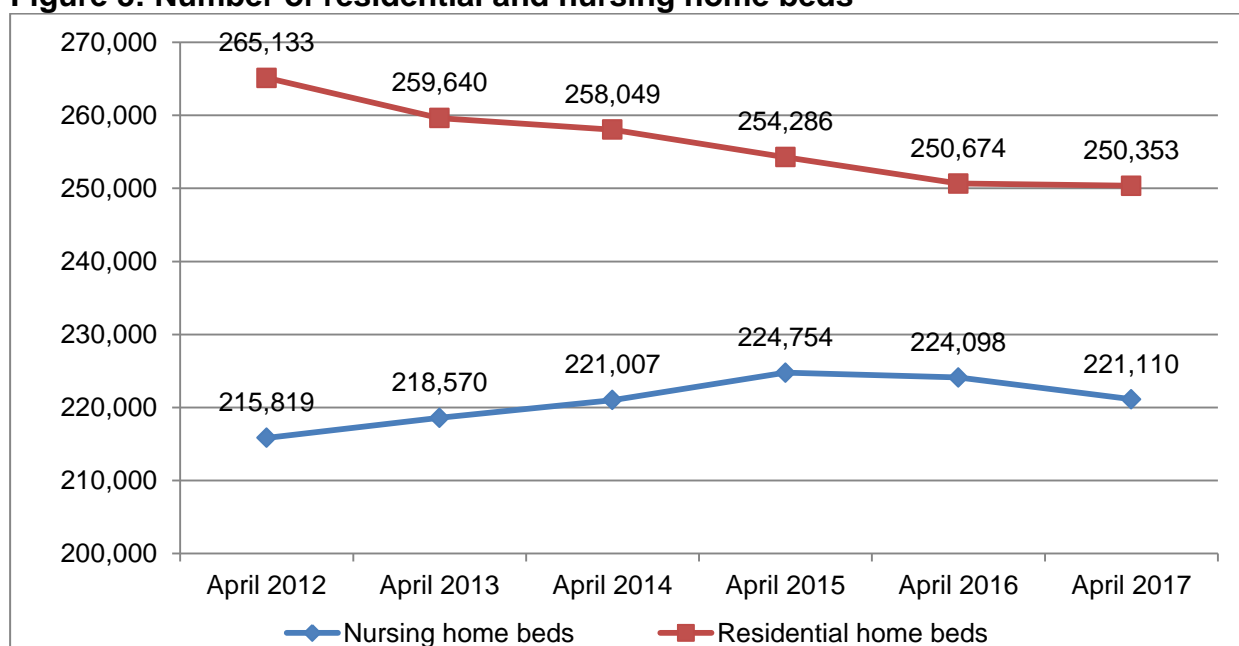
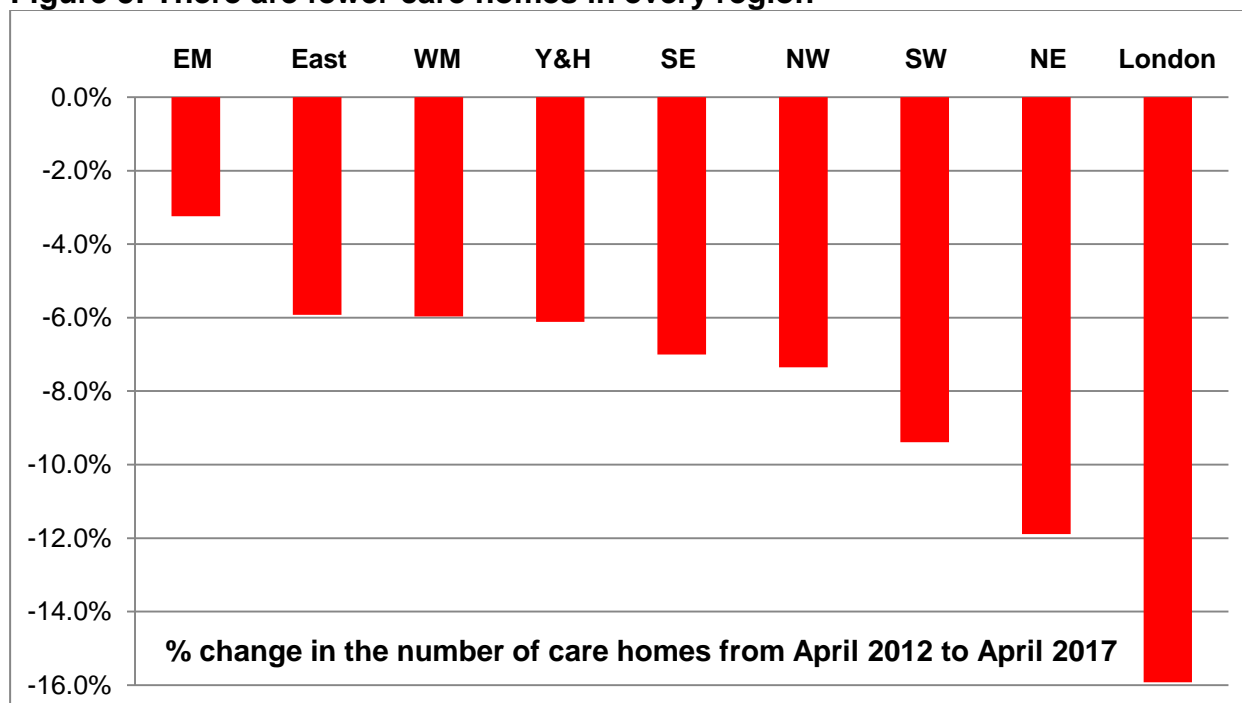


Figure 4: The number of care homes has fallen rapidly

The total number of **care homes** has fallen by **-7.9%**, or **-1,409** homes, between April 2012 and April 2017.

The number of care homes has decreased by one or two percent per year over the last five years. Between 900 and 1,400 homes closed or de-registered a year and between 700 and 1,100 homes opened (based on CQC registration number changing), which means a net loss of about 300 homes a year on average. In April 2012 there were 17,801 care homes in England and by April 2017 that had reduced to 16,392, a drop of 1,409 homes or 7.9% (see appendix two). What is striking is that whilst the change in the number of beds is variable around the country - some regions went up and others down - the number of care homes has reduced in every region (see figure 5).

Figure 5: There are fewer care homes in every region

The average number of beds per care home in April 2012 was 26. This has gone up by 8% over the last five years and is now 28 beds per home. There is a bit of regional variation in those figures with London having the smallest homes on average at 24 beds and the North East the highest at 33 beds per home currently (see appendix three).

Figure 6: Care homes are getting bigger

The average size of care homes deactivating in 2016-17 was 29 beds.

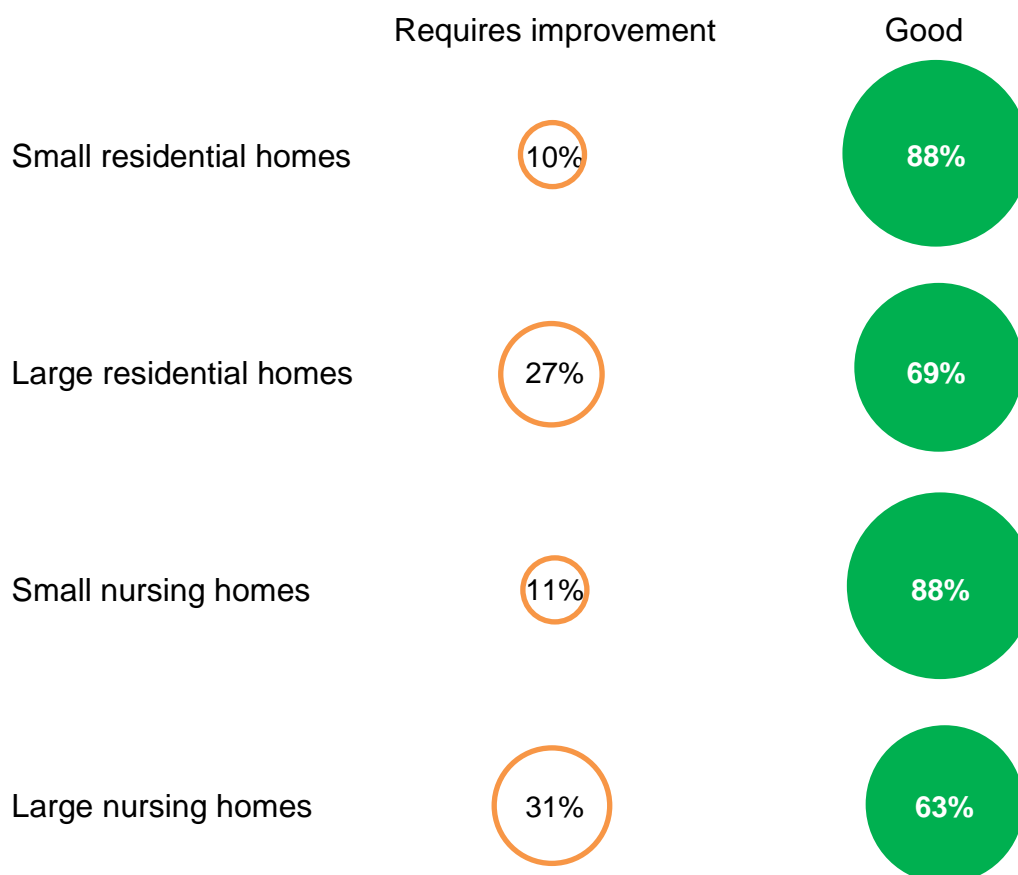


The average size of care homes opening in 2016-17 was 37 beds.

Looking specifically at changes in CQC registration, the average size of homes opening (new registrations) last year was 37 beds and the average size of homes closing (deactivating) was 29 beds (see figure 6). A care home can become inactive for a number

of reasons, and it does not necessarily represent a closure of the home as it may have undergone a change to its registration. For example, it may have re-registered because it has made changes to its legal structure.

Figure 7: Small care homes are rated by CQC as providing better care



Analysis by CQC² of their inspections shows that there is variation in performance, in both nursing and residential homes, depending on the size of home (see appendix four). Small homes (1–10 beds) are rated better than both medium homes (11–49 beds) and large homes (50+ beds), with 88% of both small nursing and small residential homes rated as good, compared with just 63% of large nursing homes and 69% of large residential homes (see figure 7). This pattern may be partly because many smaller homes are for people with a learning disability, and these services tend to perform well.

2.1 Does the older people’s care home market follow the same pattern?

It is not easy to extract figures for the older people’s care home market due to the way homes are registered. We counted residential and nursing homes that are:

- registered to provide services to “service user band older people”;
- not registered to provide services to “service user band children 0-18”; and
- not registered to provide “service type supported living services”.

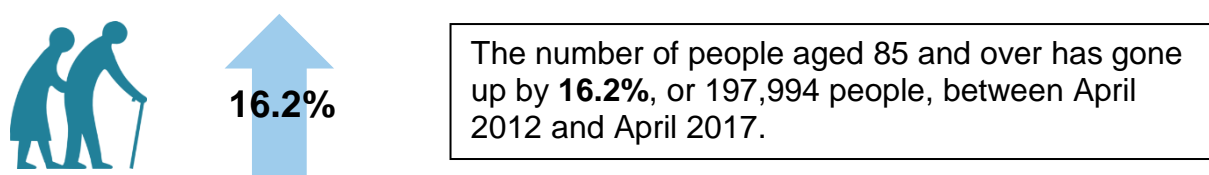
² [The state of adult social care services 2014 to 2017](#): Findings from CQC’s initial programme of comprehensive inspections in adult social care

Figure 8: The number of care home beds for older people has increased

In April 2012 there were 387,485 beds in care homes for older people in England and by April 2017 that had increased to 404,163, an increase of 16,678 beds or 4.3% (see appendix five). Again that overall figure disguises regional variation: from an 8.4% increase in the East of England to a 3.5% drop in the North East (see figure 9).

Figure 9: There are regional variations in the overall increase in the number of beds

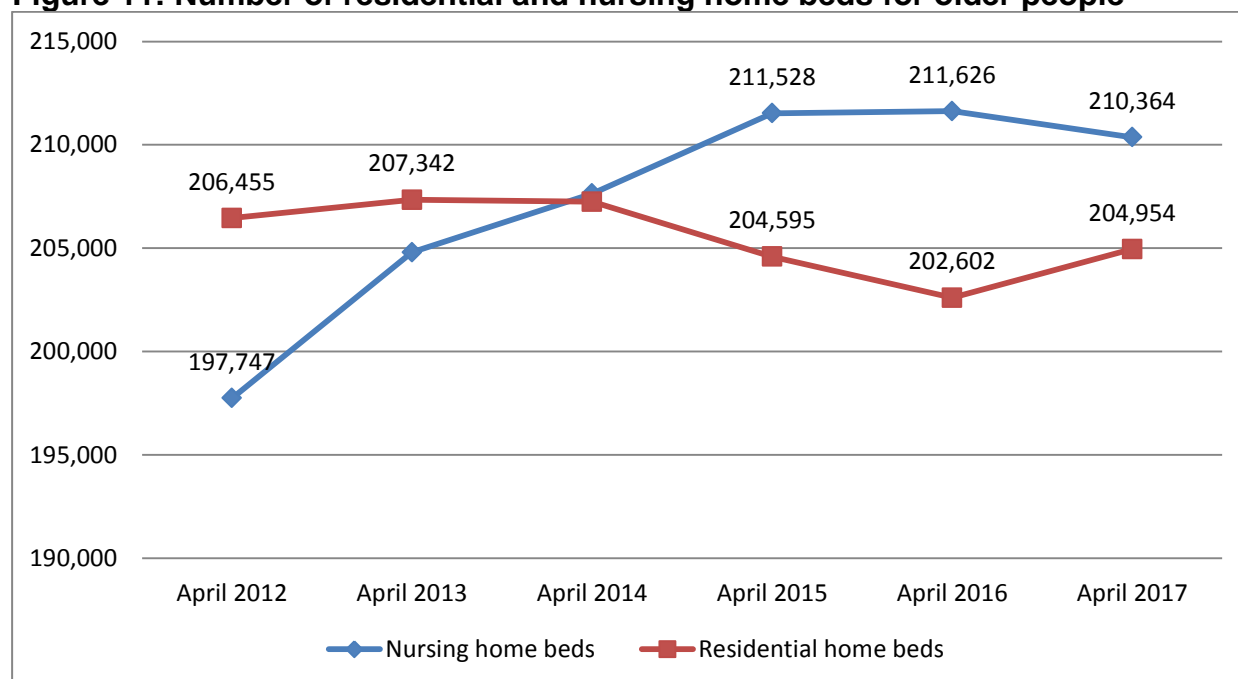
How does that change in supply compare to population change over that time period? We used the number of people aged 85 and over as a proxy for demand. According to the Office of National Statistics, in the 5 years supply has gone up 4.3%, potential demand has gone up 16.2% (see figure 10).

Figure 10: The number of older people has increased more

Were some regions over (or under) supplied in the first place and so does that account for regional variations? Combining the two sets of figures above, we can calculate the number of care home beds per older person. In 2012 there were 317 beds per thousand people aged 85 and over in England. The figures vary per region with London having

the fewest beds per head at 240 and the North East having the most at 430 (see appendix six). To some degree there has been a levelling out as areas that had more beds per head than average in 2012 – North East and Yorkshire and the Humber - have seen a decrease or stay in the number of beds (-3.5% and 0.4% respectively) and the areas that had fewer beds per head than average in 2012 – East of England, West Midlands, and the South East - have seen increases of 8.4%, 7.8%, and 6.7%. Whereas London and the South West (regions that had fewer beds compared to average in 2012) have seen less than average increases in the number of beds. Similarly the North West and East Midlands had more beds per head compared to average in 2012, but have seen higher than average increases in the number of beds over the last five years.

Figure 11: Number of residential and nursing home beds for older people³



The number of residential home beds for older people decreased from 206,455 in April 2012 to 204,954 in April 2017 (0.7% or -1,501 beds) whilst the number of nursing home beds for older people rose from 197,747 to 210,364 (6.4% or 12,617 beds) overtaking the number of residential beds in 2014 (see figure 11). This fits with our knowledge of market position statements and working with councils around the country. Many councils have often stated that they want, and have been actively working towards, more nursing home provision. However, the increase in nursing home beds slowed in April 2015 and the provision of nursing home beds declined by 1,262 beds in 2016-17.

The number of beds in dual registered homes has dropped by a third, or -5,562 beds, between April 2012 and April 2017. In April 2012 there were 16,717 beds in dual registered homes, which was 4.3% of the overall market. Now there are 11,155 beds in dual registered homes, which accounts for 2.8% of the market in England. The North East was somewhat of an outlier with beds in dual registered homes accounting for 11% of the older people's care home market in April 2012, which may be why overall provision in the region has fallen by 871 beds or 3.5% in that time. A summary of the changes in the number of beds for older people by type of care home by region is shown in appendix seven.

³ The number of beds in both sets of figures includes those in dual registered homes

Whilst overall provision of beds has increased by 4.3%, the number of care homes for older people has all but stayed the same between April 2012 and April 2017 (see appendix eight). There are, however, regional variations with the overall number of care homes for older people decreasing in the North East, Yorkshire and the Humber, South West and London (-7.2%, -3.2%, -3.0% and -2.9% respectively, see figure 12).

Figure 12: There are regional variations in the change in the number of homes

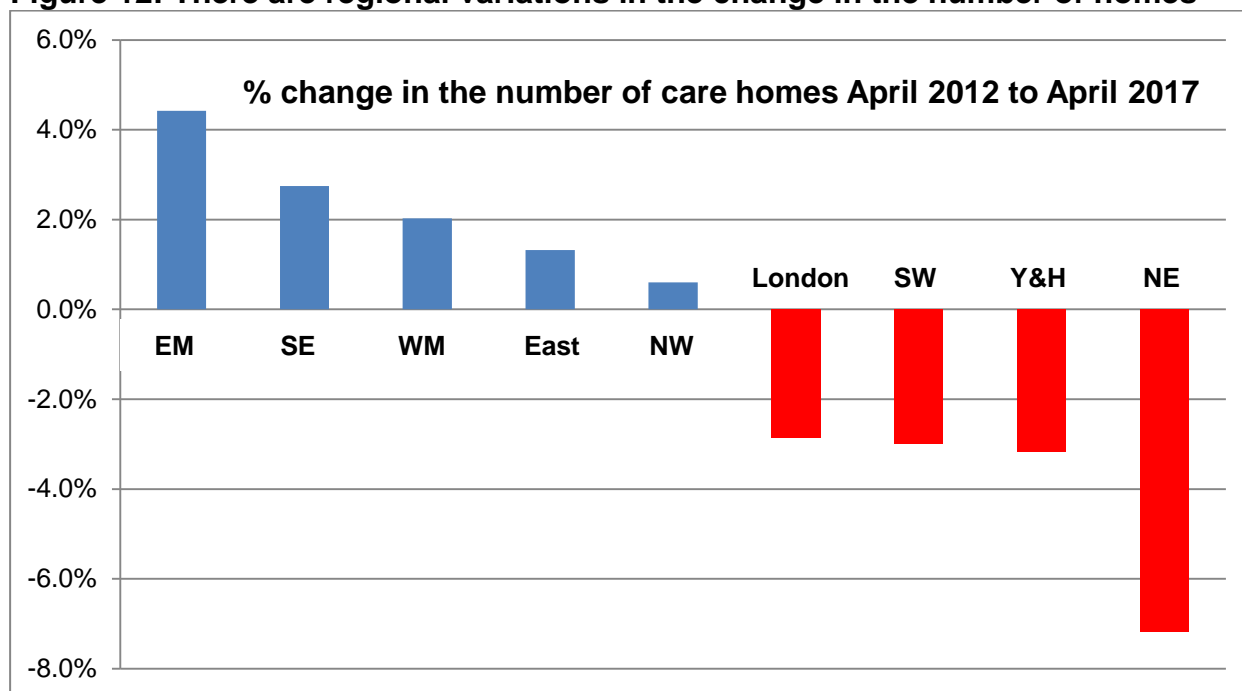
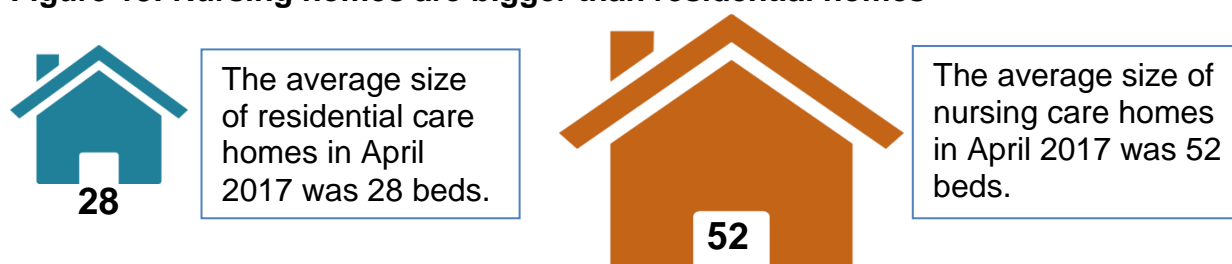


Figure 13: Nursing homes are bigger than residential homes



On average, nursing homes are bigger than residential homes. Whilst only 35.3% of care homes for older people in England are nursing homes they account for 49.3% of all the beds. The average size of a nursing home in England is 52 beds per home compared with 28 beds per home for residential care homes for older people (see figure 13). The average size of homes is increasing, but nursing homes were bigger to start with and are increasing in size faster.

2.2 What effect does workforce have on the market?

The role of registered managers in care homes is critical. Some progress appears to have been made over the last five years in reducing the number of registered manager vacancies, with the vacancy rate dropping in all regions. There was a 10.5% registered manager vacancy rate in residential homes for older people and 13.6% rate in nursing homes as at April 2017: down from 15.8% and 17.7% respectively in April 2012. If we

explore staff turnover figures from Skills for Care we can see that turnover appears to be more of a problem for nursing homes than residential care homes. There is a 13.6% turnover rate of registered managers in residential homes for older people compared to 24.8% in nursing homes for older people (see appendix nine). The data suggests that there is greater competition for registered managers in nursing homes and that they are more difficult to replace when they leave.

Turnover for registered nurses in adult social care is higher than for other professions represented in the sector – namely social workers and occupational therapists. Anecdotally we have heard of homes de-registering from nursing homes to residential care homes because they could not recruit and retain nurses. Registered nurses in nursing homes for older people have a turnover rate of 32.7%. There is some regional variation with the North West having the highest turnover rate of registered nurses at 42.8% (see appendix nine).

Problems in recruitment and retention mean that many nursing homes are reliant on overseas recruitment of nurses, and the issue may be getting more acute. There has been a 96% decrease in the number of nurses from the EU registering to practise in the UK since the Brexit referendum in June 2016⁴. There has been a sharp decline from a high of 1,304 EU nurse registrants in July last year to just 46 EU nurse registrants in April 2017. Councils' ambitions to increase nursing home provision may be under threat if homes cannot recruit and retain the staff they need.

2.3 Conclusions

Our data analysis fits with our experience of working with councils around the country. There are fewer, but on average larger, care homes and it is the smaller homes that are closing whilst entrants to the market are often large new builds targeted at self-funders, which is linked to achieving viability through economies of scale. This has had an impact on the financial stability of the market for state-funded residents.

It is widely believed that self-funders in care homes tend to pay higher charges than state-funded residents, even if occupying the same facilities in the same homes. This price difference has been referred to as a cross-subsidy, with the assumption that the prices paid by councils impact on those paid by self-funders.

If fewer self-funders live in homes that attract both state-funded residents and self-funders then this will affect the balance of cross-subsidy. Some care homes will see fewer self-funders and higher staff costs due to increases in the National Living Wage, and there is a danger that if providers cut back on other costs, such as maintenance, then the home looks shabbier, self-funder numbers decline even more, leading to a spiral of decline. The impact of the National Living Wage on care home viability was highlighted in a report in November 2016 by accountancy firm [Moore Stephens](#) who reported that 12% of care homes are at risk of going insolvent within the next three years.

Our analysis echoes themes in the Competition and Markets Authority's (CMA) [care homes market study](#) (June 2017). The CMA reported that there appears to be little

⁴ Numbers of EU nurse registrants were obtained by the [Health Foundation](#) from a Freedom of Information request to the Nursing and Midwifery Council

current expansion of care home capacity focused on the state-funded sector. The reasons for this include concerns around fee rates payable by councils, uncertainty over the prospects for future public funding of adult social care, and labour shortages. *“Overall, local authorities are facing serious challenges in securing investment in new capacity, looking many years into the future. This applies particularly for capacity intended to primarily serve local-authority residents, and facilities focused at the areas of greatest need (ie dementia and nursing care rather than residential care).”* The CMA is also currently considering the reasons why price differentiation between self-funders and state-funded residents arises.

Across adult social care, many voices have warned of the fragility of the market. The [ADASS budget survey 2017](#) reported that Directors have major concerns about the sustainability of the care market: *“Failure within the provider market has affected at least 69% of councils in the last 6 months, while 74 per cent of responders believe that providers are facing quality challenges.”*

In our analysis we used care homes as an illustration of market fragility, but the homecare market is equally under pressure as illustrated by the [open letter to the Prime Minister from the homecare sector](#) in June 2017, which urged the government to tackle an *“increasingly unworkable system”*. In March 2017 the BBC reported that [‘lack of money’ prompts care firms to end council contracts](#). A BBC Panorama investigation into homecare found that *“care firms have cancelled contracts with 95 UK councils, saying they cannot deliver services for the amount they are being paid. Some firms said they could not recruit or retain the staff they needed.”*

3 What can councils do?

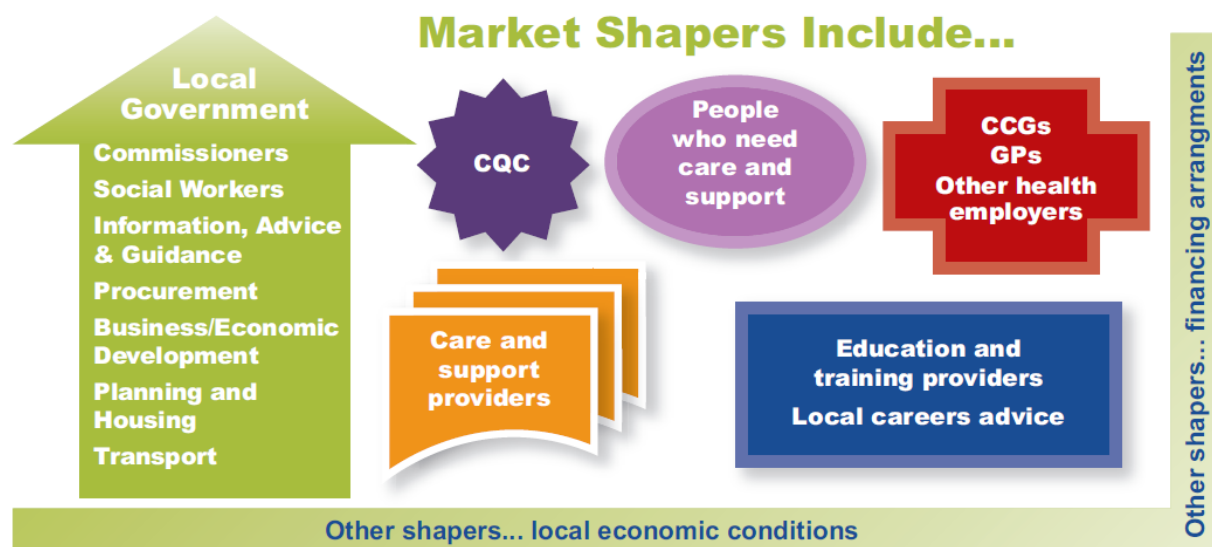
In these market conditions, and with increasing demand, what can councils and their partners do to fulfil their market shaping duty and ensure there is a diverse, sustainable and quality local market? Councils must be prepared to be bolder and do things differently in order to shape the market. We suggest councils and their partners:

1. Have a clearer articulation of outcomes to be delivered and develop the trusting, mature relationships with providers, and partners, needed to implement them
2. Understand local and regional markets better
3. Manage the demand on the local market and engage providers in influencing that demand

3.1 Outcomes and relationships

Market shaping takes place not only ‘beyond’ social care in the council, but also beyond the council itself. A strategic task, often spanning council departments and other partners, it is not just done by commissioners, but by a range of people. The diagram below, taken from our paper [what is market shaping?](#) captures the variety of people who shape the adult social care market. They include: social workers, commissioners, procurement, information advice and guidance services, planning, transport, housing, economic development – and that’s just within a council - plus people who need care and support and their families, health, education and training providers, care and support providers, CQC etc.

Figure 14: Who shapes the market?



Given the range of people and factors to consider, market shaping needs to be the specific responsibility of a senior executive. We think it's a major strategic task and needs an appropriate strategic lead within the council.

The strategic lead should ensure that there is effective dialogue between people who need care and support, providers and commissioners in the local area to develop consensus on solutions. In practical terms councils need dedicated relationship management roles that ensure open, honest, transparent and regular contact and sharing of learning. They also need to ensure that they avoid working in silos without considering the impact on other parts of the health and care system i.e. that they take a whole-systems or ['place-based approach'](#) to market shaping and those market shaping activities support [individual purchasing of care](#).

The strategic lead should encourage an outcome-based approach. There are different ways of promoting outcomes-based services. In our soon to be published outcomes-based homecare commissioning toolkit for Wales we suggest three approaches:

- Outcome-based care planning: using outcomes as the basis for planning and reviewing a care package
- Reward for achieving outcomes and customer satisfaction: concentrating on the financial aspects of meeting outcomes
- Population-based accountability for outcomes: responsibility for the provider(s) for meeting the outcomes of a group of people across a defined geographic area

3.2 Market analysis

To shape your market you need to understand it. We think that a good understanding of the local or regional health and social care market is vital to enable councils and their partners to fulfil their market shaping duties.

In our [market position statement guidance](#), published as part of the market shaping review, we evaluated market position statements in England. There is huge variety in

the scope of published market position statements but there are some key areas for improvement that most councils need to make. These include:

- Intelligence about self-funders
- Analysis of the local care and support workforce
- Intelligence about the quality of the local market
- Understanding of models of ownership of care providers and insight into the ways in which companies and organisations may be funded

To shape the care market to be fit for the future you need to understand your current market and pressures on demand both now and in the future. At IPC we have considerable experience in market analysis including conducting strategic market reviews for a number of councils and providers. We suggest that you analyse publicly available market and workforce information, and develop consistent local indicators and analysis methods to regularly monitor your local market.

3.3 Managing demand

Lastly, it's important to remember that you can't just look at the market in isolation. You need to think about what you can do to reduce demand on the local market. In our experience councils have already done the obvious things and there is little more to be gained from further savings through procurement routes or reduced staffing.

Demand is in part a construct of the social care system into which people are assessed, which is partly driven by practices in assessment and care management. Our experience from our consultancy work around the country is that some organisations are managing demand better than others. For example, the best are assessing for the most effective interventions that assist people to need less care and they make better use of preventive actions. However, we find that councils often lack clear strategies for managing demand – particularly for services for older people - and have insufficient data or analysis to understand the impact of their approach. In our consultancy work we use a 'six steps report card' to give councils an initial overview of current performance and highlight areas requiring more detailed investigation.

We have developed an IPC model of managing demand. In our paper - [six steps to managing demand in adult social care](#): a performance management approach - we provide a model for measuring service delivery and suggest a range of strategic objectives as well as performance indicators and targets.

Key to the model is understanding the flows of people through the system. What happens to the people who come to your council's front door or get discharged from hospital? You need to understand how the front-end of your service is set up in relation to handling initial enquiries, and how many of these can be resolved by the staff who handle them, and what are the outcomes for older people discharged from hospitals.

It is also important to give both effective short-term and long term support to reduce the need for longer term solutions or help people to manage their long-term conditions. Social care staff need the right skills, and to work within the right organisational culture, to be able to take a strengths-based approach to assessment and care management.

4 Summary

Our analysis of the care home market in England over the last five years has shown that:

- The total number of care home beds has reduced, but the number of beds for older people has increased. There are large regional variations.
- The long-term trend of increasing numbers of nursing home beds and decreasing numbers of residential home beds has come to a halt.
- There are fewer care homes (in all regions) and on average care homes are increasing in size.
- Problems in recruitment and retention are worse for nursing homes than residential care homes, and the issue may be getting more acute.

Our analysis highlights the fragility of the care home market, and the risks to the state-funded market, but the homecare market is equally under pressure. Councils must be prepared to be bolder and do things differently in order to shape the market. We suggest councils and their partners focus on outcomes, analyse their local health and social care markets, and manage demand.

For more information or a discussion about IPC can support your organisation, contact the Institute of Public Care on ipc@brookes.ac.uk or call Fiona Richardson for an informal chat on (01225) 484088.

5 Appendices

5.1 Appendix one: number of care home beds April 2012 and April 2017

Region	Number of beds 2012	Number of beds 2017	Difference	% change
England	463,563	459,794	-3,769	-0.8%
South West	57,686	56,607	-1,079	-1.9%
South East	84,080	85,181	1,101	1.3%
London	39,353	36,635	-2,718	-6.9%
West Midlands	46,115	47,662	1,547	3.4%
East Midlands	43,427	43,656	229	0.5%
East	50,892	52,382	1,490	2.9%
North West	63,581	62,720	-861	-1.4%
North East	28,408	26,580	-1,828	-6.4%
Yorkshire & the Humber	49,769	48,247	-1,522	-3.1%

CQC care directory as at 1 April 2012 and 1 April 2017: all registered care homes

5.2 Appendix two: number of care homes April 2012 and April 2017

Region	Number of homes 2012	Number of homes 2017	Difference	% change
England	17,801	16,392	-1,409	-7.9%
South West	2,449	2,219	-230	-9.4%
South East	3,399	3,161	-238	-7.0%
London	1,821	1,531	-290	-15.9%
West Midlands	1,877	1,765	-112	-6.0%
East Midlands	1,636	1,583	-53	-3.2%
East	1,873	1,762	-111	-5.9%
North West	2,148	1,990	-158	-7.4%
North East	925	815	-110	-11.9%
Yorkshire & the Humber	1,667	1,565	-102	-6.1%

CQC care directory as at 1 April 2012 and 1 April 2017: all registered care homes

5.3 Appendix three: average number of beds per care home

Region	Average size of care homes 2017	Average size of homes closed 2016/17	Average size of homes opening 2016/17
England	28	29	37
South West	26	26	32
South East	27	23	31
London	24	21	32
West Midlands	27	28	37
East Midlands	28	28	30
East	30	34	51
North West	32	40	49
North East	33	31	36

CQC care directory as at 1 April 2012 and 1 April 2017: all registered care homes based on registration changing

5.4 Appendix four: overall CQC ratings by size and type of care home - small = 1-10 beds, medium = 11-49 beds, large = 50+ beds

Rating	Residential homes			Nursing homes		
	Small	Medium	Large	Small	Medium	Large
Inadequate	1%	2%	2%	1%	3%	4%
Requires improvement	10%	22%	27%	11%	28%	31%
Good	88%	74%	69%	88%	68%	63%
Outstanding	1%	1%	2%	1%	1%	2%

CQC The state of adult social care services 2014 to 2017: CQC ratings data, 5 May 2017

5.5 Appendix five: number of care home beds for older people April 2012 and April 2017

Region	Number of beds 2012	Number of beds 2017	Difference	% change
England	387,485	404,163	16678	4.3%
South West	48,312	49,553	1241	2.6%
South East	69,140	73,806	4666	6.7%
London	30,349	30,320	-29	-0.1%
West Midlands	38,950	41,984	3034	7.8%
East Midlands	35,943	38,047	2104	5.9%
East	42,979	46,570	3591	8.4%
North West	54,392	57,129	2737	5.0%
North East	24,802	23,931	-871	-3.5%
Yorkshire & the Humber	42,541	42,699	158	0.4%

CQC care directory as at 1 April 2012 and 1 April 2017: older people's care home market

5.6 Appendix six: older people's population April 2012 and April 2017

Region	Number of 85 year olds and over 2012	Number of 85 year olds and over 2017	% change	Number of beds per 1,000 85 year olds and over 2012
England	1,220,506	1,418,500	16.2%	317
South West	15,8214	181,100	14.5%	305
South East	22,4561	263,200	17.2%	308
London	12,6475	144,500	14.3%	240
West Midlands	12,8464	151,100	17.6%	303
East Midlands	10,5507	123,200	16.8%	341
East	14,7972	176,300	19.1%	290
North West	15,3964	177,200	15.1%	353
North East	57,622	67,700	17.5%	430
Yorkshire & the Humber	117,727	134,300	14.1%	361

Office for National Statistics subnational population projections May 2016

5.7 Appendix seven: change in the number of care home beds for older people from April 2012 to 2017 by type of home

Region	Residential home beds		Nursing home beds		Dual registered	
	Change	%	Change	%	Change	%
England	-1,501	-0.7%	12,617	6.4%	-5562	-33.3%
SW	-2,377	-8.6%	2,641	11.2%	-977	-35.5%
SE	199	0.6%	3,525	9.6%	-942	-40.4%
London	-330	-2.7%	30	0.2%	-271	-26.1%
W Mids	677	3.5%	2,095	10.2%	-262	-25.0%
E Mids	1,093	5.4%	367	2.1%	-644	-40.8%
East	470	1.7%	3,010	17.6%	-111	-8.4%
NW	111	0.4%	1,967	7.0%	-659	-31.0%
NE	-913	-7.0%	-825	-5.7%	-867	-31.7%
Y & H	-354	-1.5%	-317	-1.5%	-829	-46.4%

CQC care directory as at 1 April 2012 and 1 April 2017: older people's care home market, the number of residential home and nursing home beds includes those in dual registered homes

5.8 Appendix eight: number of care homes for older people April 2012 and April 2017

Region	Number of homes 2012	Number of homes 2017	Difference	% change
England	10,880	10,877	-3	0%
South West	1,538	1,492	-46	-3.0%
South East	2,002	2,057	55	2.7%
London	842	818	-24	-2.9%
West Midlands	1,135	1,158	23	2.0%
East Midlands	1,018	1,063	45	4.4%
East	1,137	1,152	15	1.3%
North West	1,487	1,496	9	0.6%
North East	613	569	-44	-7.2%
Yorkshire & the Humber	1,106	1,071	-35	-3.2%

CQC care directory as at 1 April 2012 and 1 April 2017: older people's care home market

5.9 Appendix nine: staff turnover rates in care homes for older people July 2017 by type of home

Region	Registered managers		Registered nurses
	Residential homes	Nursing homes	Nursing homes
England	13.6%	24.8%	32.7%
South West	14.9%	24.7%	30.6%
South East	14.6%	21.0%	29.9%
London	4.6%	15.1%	29.0%
West Midlands	8.4%	21.6%	35.7%
East Midlands	12.4%	23.4%	31.2%
East	12.1%	32.6%	33.0%
North West	16.0%	29.8%	42.8%
North East	13.3%	33.1%	31.5%
Yorkshire & the Humber	19.7%	26.1%	30.6%

Skills for Care, Open Access NMDS-SC Dashboards as at 30 July 2017: turnover rates for service user group: older people