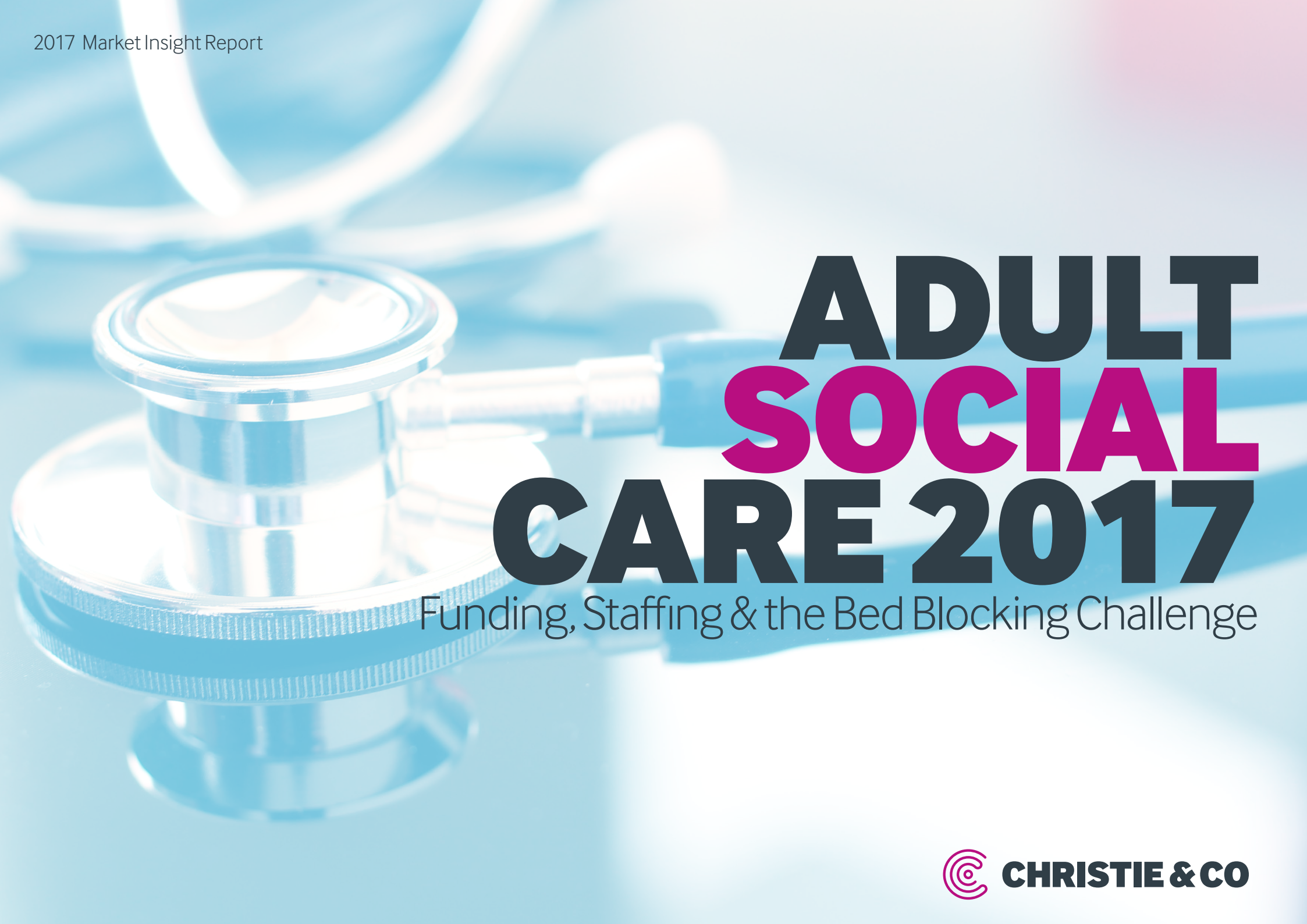


ADULT SOCIAL CARE 2017

Funding, Staffing & the Bed Blocking Challenge

CHRISTIE & CO

Funding, Staffing & the Bed Blocking Challenge

Introduction

Funding, Staffing & the Bed Blocking Challenge

The last 12 months have seen some significant changes and challenges ranging from the outcome of the Brexit referendum to the recent general election. In this time of change, continual reference is made to the acute pressure which the NHS and Adult Social Care is under. We live in a country where the population is ageing and, through medical advances, we are fortunate enough to be living longer. However, a key consequence is that demands on the NHS and Adult Social Care have never been greater.

As with 2016, we went into 2017 with the knowledge that the National Living Wage (NLW) would increase once again. Throughout the year, issues relating to Adult Social Care and the NHS have never been far from the media spotlight with key headlines including pressure points relating to bed blocking in NHS hospitals, funding and staff recruitment. The main political parties acknowledge the need for a sustainable long term solution and we wait to see whether the Green Paper, promised by the Chancellor in his Spring Budget, will be published later this year as originally planned.

Ultimately, funding and staffing remain the two most critical issues with policy makers in the new Government faced with a myriad of challenges. These include coming up with a sustainable funding solution for social care whilst ensuring that we have sufficient staff to deliver the care. Both of these issues now have added layers of complexity following the outcome of the recent election and with Brexit negotiations underway.

Given the above backdrop, we are delighted to publish our third research document which looks at the pivotal issues of funding and staffing relative to the social care sector whilst also considering how social care could help the NHS with the bed blocking challenge. Once again, our research has included a survey of every local authority and over 200 leading operators across elderly and specialist care. We are very grateful to all the operators who have contributed to our survey and the support we have received from a number of organisations including Care England, the Royal College of Nursing, HealthInvestor and the panel of distinguished industry experts at our London launch event.

Michael Hodges – Head of Consultancy - Care

> Funding and staffing remain the two most critical issues for policy makers.

Setting the scene – Funding, Staffing & the Bed Blocking Challenge

The Funding vs Staffing Dynamic leading into 2017

Key Findings from Christie & Co's 2016 Report

4.5% average fee increase for elderly care vs 1.9% for specialist care

95% of local authorities in England adopted the social care precept

46% of all respondent authorities increased fees by 4% or above with 14% in excess of 6%

22% of respondent authorities increased fees by less than 2%

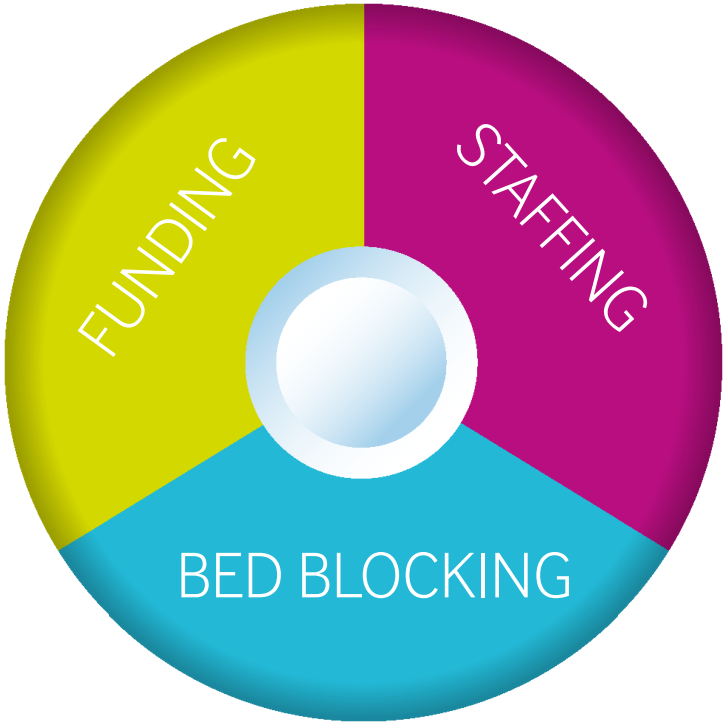
Developments since Christie & Co's 2016 Report

Continuation of the social care precept but by up to 3% – worth an estimated £208m

Increase in the NHS Funded Nursing Care (FNC) rate to £156.25 (2016) with a reduction to £155.05 for 2017

Announcement of a new Adult Social Care Support Grant worth £240m

2017 Budget – Extra c. £2bn of funding for Adult Social Care over the next three years with c. £1bn for 2017



Key Findings from Christie & Co's 2017 Report

Bed blocking identified as a major issue and cost for the NHS

The reduction in District and Community Nurses is a contributory factor

A key reason behind the proposed Green Paper

Social care seen as a key solution provider

Key Findings from Christie & Co's 2016 Report

Estimated shortfall of 15k FTE UK nurses

Reduction of 5% in new registrations of UK trained nurses with 11% increase in de-registrations

Major policy changes with planned abolition of bursaries for nursing students

Promotion of new Nursing Associate role

Increase in agency usage and average staff costs at 60.8% of revenue (elderly) and 62.5% (specialist)

Developments since Christie & Co's 2016 Report

Brexit vote and its impact on recruitment from EU

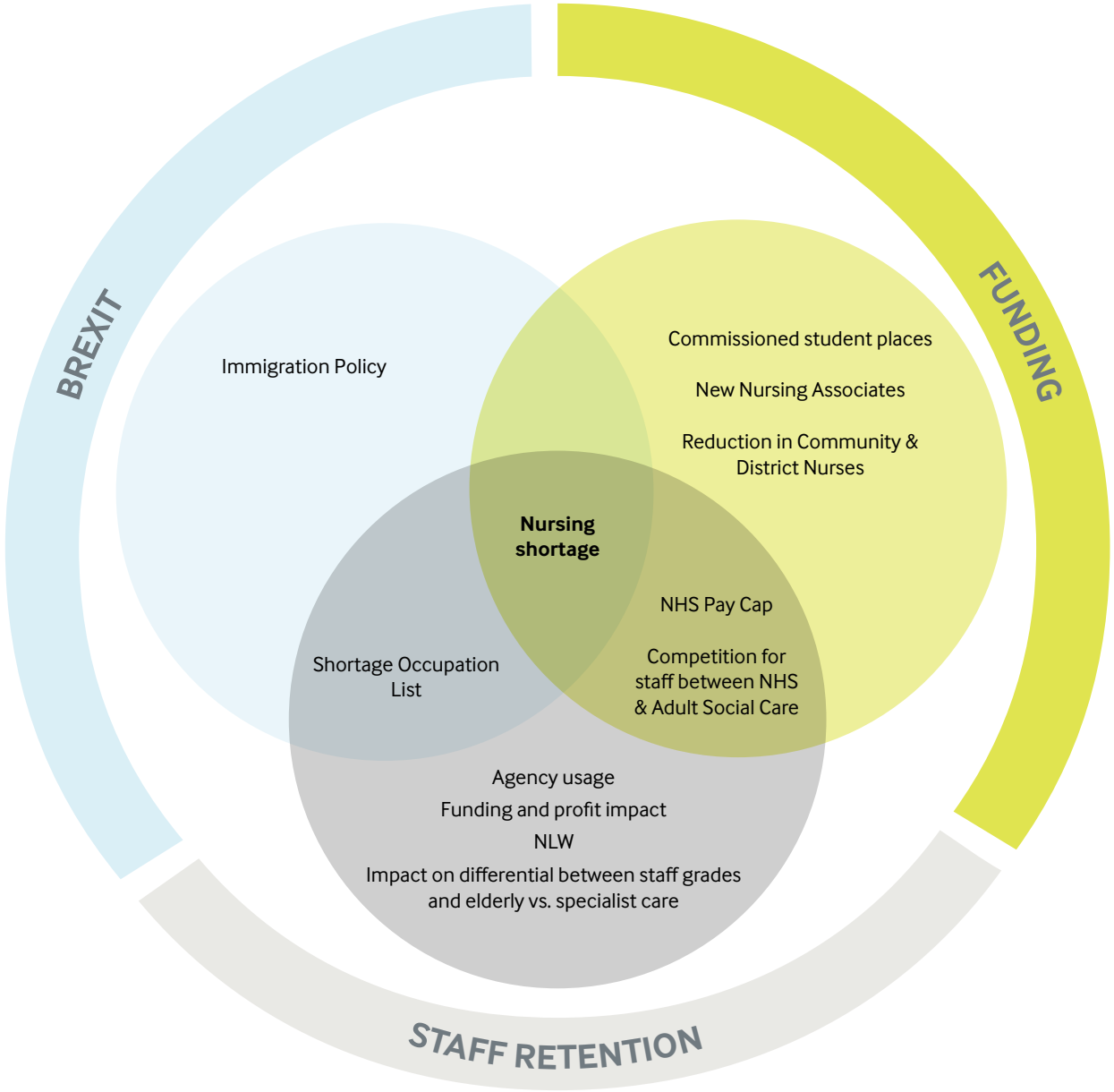
Continued agency use and cost impact

NLW increase

General election

Source: Department for Communities and Local Government (2016), Department of Health (2017), HM Treasury (2017), Christie & Co (2016)

Staffing Backdrop



Source: Department of Health (2017)

There are a number of complex issues which affect the entire care home workforce although these are linked together by several key themes.

Funding is central to the training of new nurses and all those working within the NHS remain subject to austerity with the 1% public sector pay cap.

Funding is also crucial for the social care sector with local authorities once again in the spotlight. Operators wait to see whether local authority fee rates and referral levels will be sufficient to compensate for the NLW increase which was effective from April.

Furthermore, whilst social care providers recognise that the removal of the 1% public sector pay cap would be beneficial for the overall UK nursing workforce, there is concern over the potential impact on the recruitment and retention of nurses in the care home sector. Additional funding would be required for the social care sector to remain competitive in terms of pay rates. A potential solution could be an increase in the FNC rate from its current level of £155.05.

Moving away from funding, other key themes include the impact of Brexit and the ability of the sector to recruit and retain overseas staff from both EU and non EU countries.

Staff retention is a wider issue in its own right. As detailed within our earlier research reports, many nurses have left full time positions over recent years, with some joining staffing agencies and others leaving the profession. This is a trend across hospitals, care homes and within the wider community.

One key trigger is the reduction in District and Community Nurses with this leading to an increase in hospital admissions at a time when hospitals are grappling with capacity challenges.

For social care providers, the retention challenge also applies to care assistants and domestic staff. Many operators report that they are competing with supermarkets like Aldi and Lidl who are actively recruiting and offer attractive pay rates.

Nursing Shortage

In our 2016 report *Funding, Staffing and the Bottom Line*, we highlighted a number of challenges facing the nursing workforce. Uncertainties over the implications of the Brexit vote, funding cuts to nurse training and the abolishment of student bursaries were all identified as key issues which could potentially exacerbate the nursing shortage.

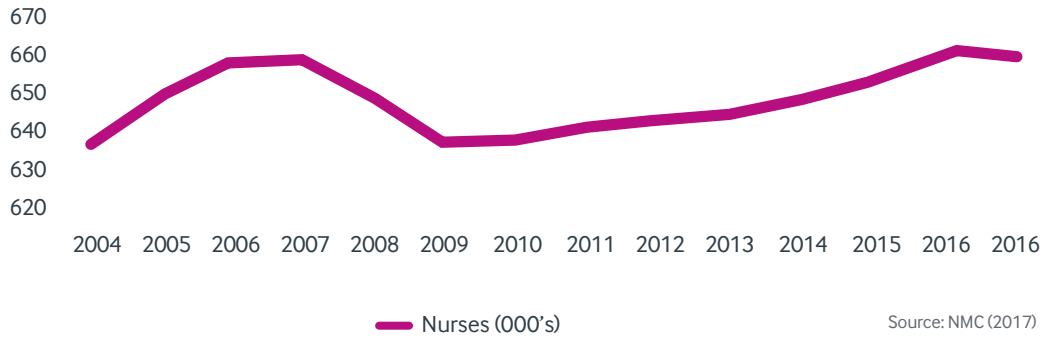
BREXIT VOTE

REMOVAL OF STUDENT BURSARIES

SUSTAINED FUNDING CUTS

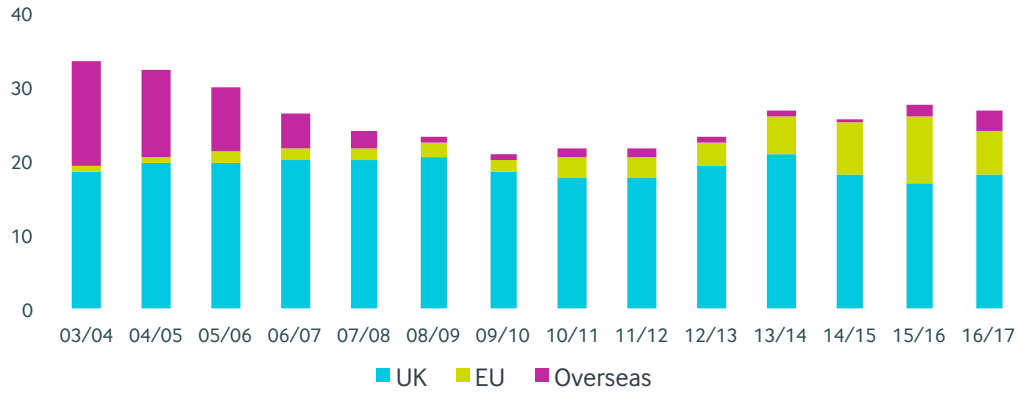
NURSING SHORTAGE INCREASED.
WE ESTIMATE A REVISED CURRENT SHORTAGE OF **17,000** FTE NURSE VACANCIES

Number of Registered Nurses in the UK (000's)



Source: NMC (2017)

Number of Nurse Registrations by Origin 2003-17 (000's)



2016/17 vs 2015/16

+61%

-35%

+7%

Source: NMC (2017)

Key Statistics in 2016/17

3%
Fall in total registered nursing numbers

-35%
(y/y) fall in new registrations of EU trained nurses

+23%
in de-registrations

Source: Christie & Co (2017), NMC (2017), RCN (2017)

Brexit

The UK's decision to leave the European Union on 23 June 2016 raised a number of important questions around the state of residency for the c. 37,000 (5.5%) EU nurses currently working in the UK. Over one year on, negotiations are only just starting with no substantive agreements as yet. Our research reports in 2015 and 2016 highlighted the crucial role played by EU nurses in filling vacancies caused by a shortage of UK nurses, although the issue runs much deeper as EU nationals have been vital in filling other roles including care assistants, support workers and domestic staff. The graph, which is based on data provided by the Nursing and Midwifery Council, provides a stark illustration on the impact of the Brexit vote and the subsequent uncertainty on the supply of new EU nurses to the UK.

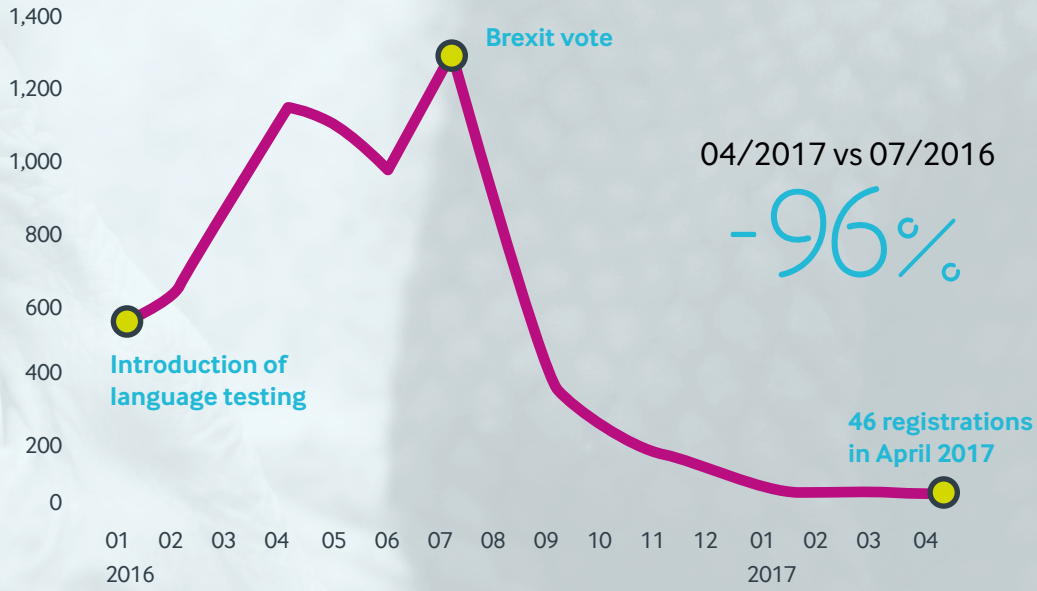
Key developments:

- Last July 1,304 nurses from the EU joined the Nursing and Midwifery Council Register, compared to 46 in April this year, a fall of 96%.
- 68% increase in EU nurse resignations in 2016 vs 2014.

Long term issues:

- Concerns that the UK will be less attractive for EU nurses and other vital care sector staff due to Brexit uncertainty (although this may resolve itself over time depending on how negotiations progress).
- Potential ability to attract nurses from outside the EU after 2019 unless the current Shortage Occupation List policy is extended.

Number of EU Nurse Registrations by Origin

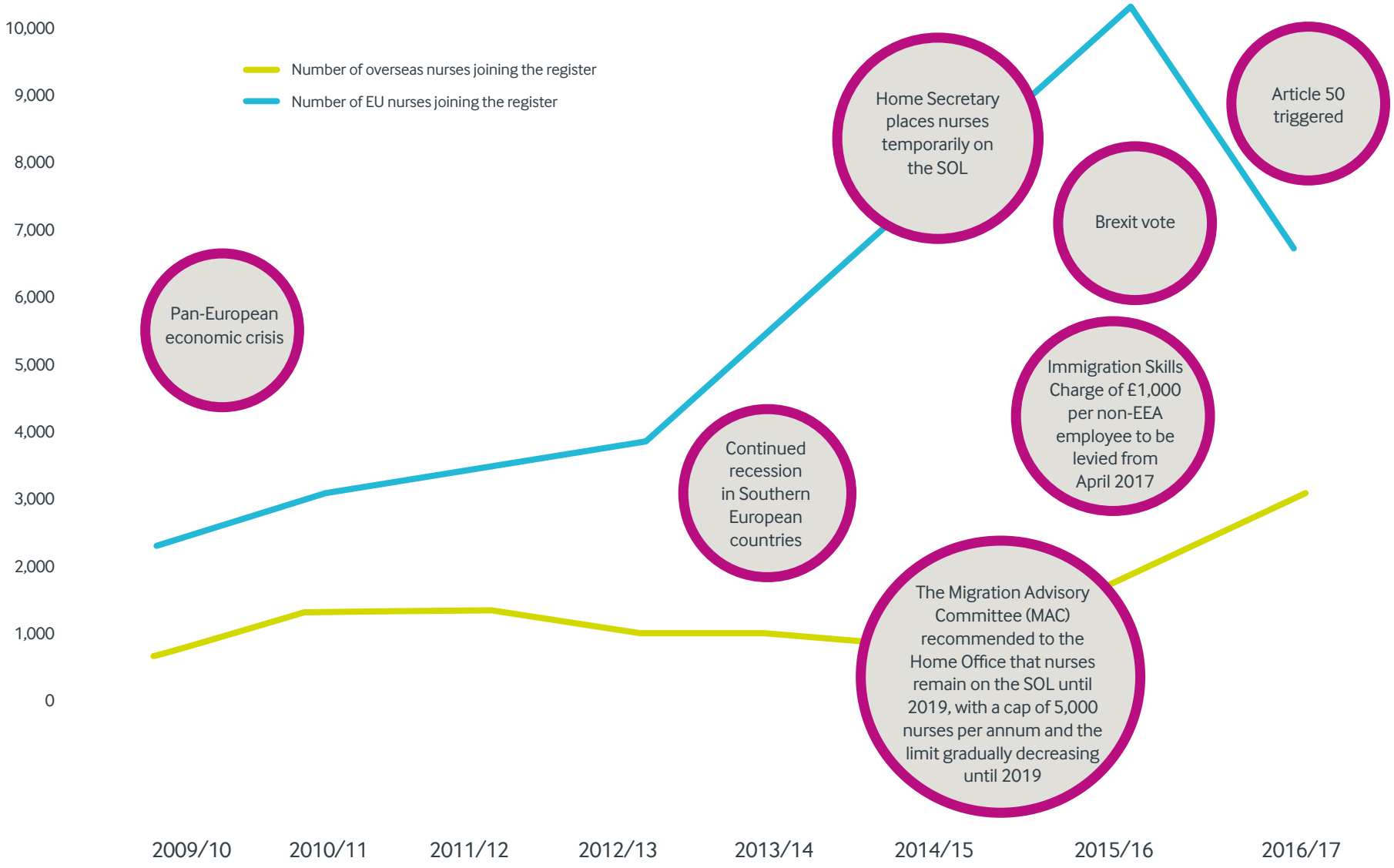


Source: NMC (2017), Health Foundation (2017)

Source: Christie & Co (2017), NMC (2017), RCN (2017), Health Foundation (2017)

Overseas Nurses and Immigration Timeline

The number of overseas nurses entering the UK has changed dramatically over the past 20 years. Following a decade of decline in the 2000s, immigration has been increasing since 2009. This was driven by a general influx due to the European economic crisis, as well as insufficient or falling numbers of UK-trained nurses. The number of nurses immigrating from Europe however was not enough to match growing demand in the UK and as a result, nurses were placed on the Shortage Occupation List (SOL). The question now turns to whether we will see a large outflow of nurses from the UK as a result of the Brexit vote.



Source: Christie & Co Analysis, MAC (2016), NMC (2017)

Immigration

Number of international nurses joining the register in 2016 vs 2017

% change from 2016 vs 2017

Overseas

Philippines

66% (1,544)

India

2% (550)

Other

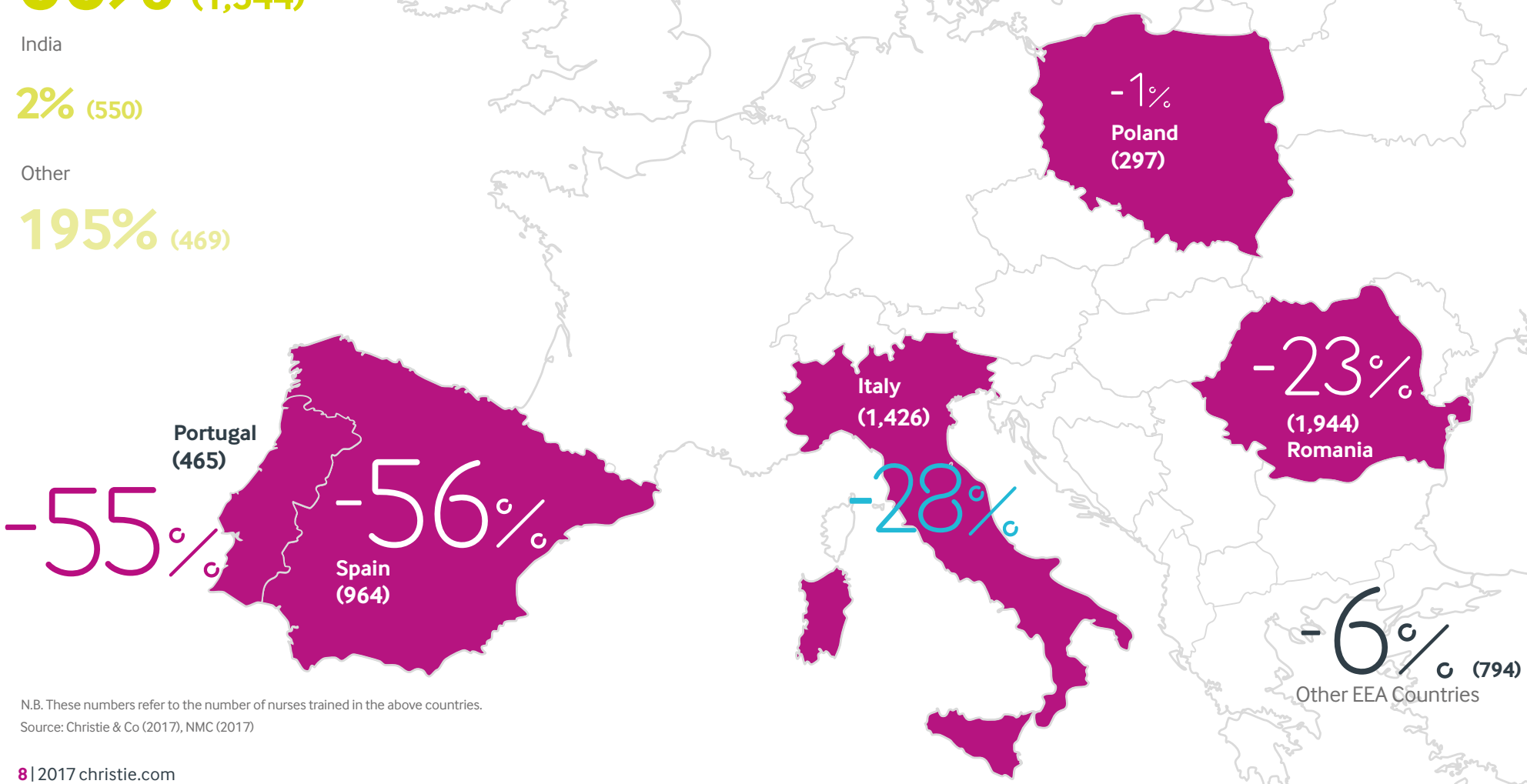
195% (469)

Overseas Total

58% (2,563)

EEA Total

-35% (5890)



N.B. These numbers refer to the number of nurses trained in the above countries.

Source: Christie & Co (2017), NMC (2017)

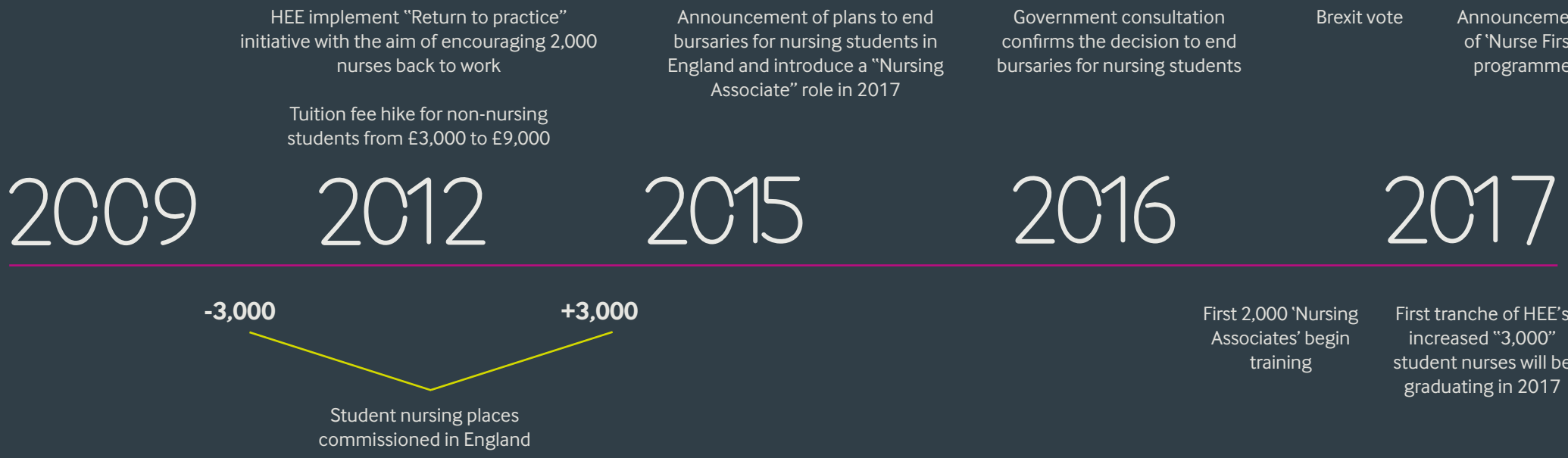
Student Bursaries

The implications of Brexit coupled with an already ageing workforce have increased the pressure on policy makers to ensure that enough domestic nurses are being trained to address the shortage and deal with the exponential growth in demand for care. Although there has been an increased number of commissioned nursing student places, the removal of student bursaries has raised further doubts over the longevity of the domestic supply line. Whilst the introduction of the 'Nursing Associate' role was welcomed across the industry, many nursing organisations stated that this was not a solution to the nursing shortage and fears were raised around the potential "dilution of skill".

Commissioned Training Places for Pre-registration Nursing 2010-2017

Pre-registrations nurses	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
England	19,904	17,827	17,264	18,009	19,206	20,410	20,741	-
Scotland	2,878	2,600	2,330	2,390	2,538	2,865	3,027	3,169
Wales	1,070	1,035	919	1,011	1,053	1,283	1,418	-
Northern Ireland	690	660	625	660	660	645	745	845

Source: HEE (2017), RCN (2017)

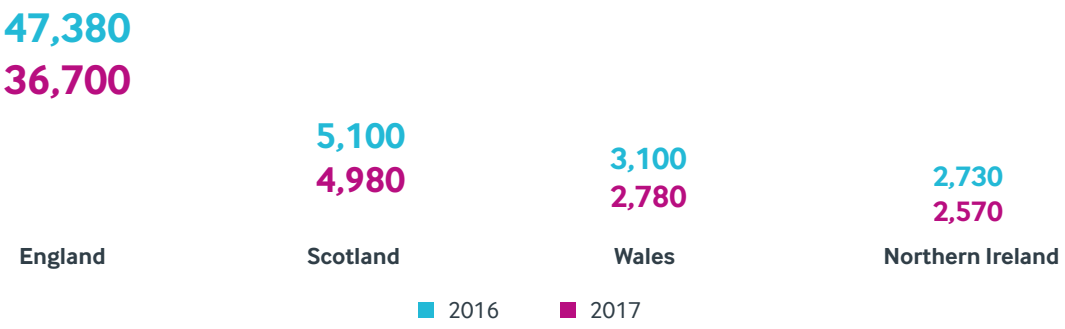


Source: Christie & Co (2016), NHS England (2017), HEE (2015 & 2017), RCN (2017)

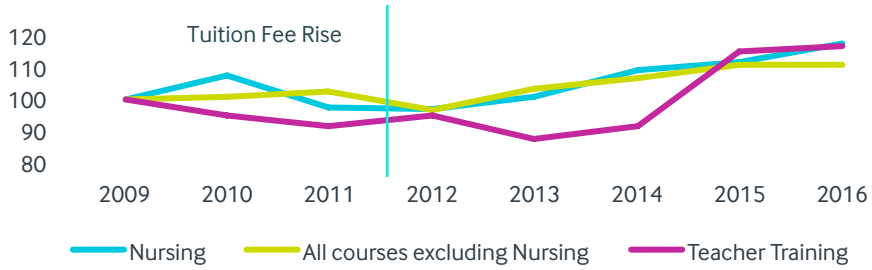
Student Bursaries – Case Study

As of August 2017, new nursing students will no longer receive NHS bursaries. Instead they will have to access the same student loans systems as other students. The UK Government's reported rationale for this funding reform was to help secure the nursing workforce by enabling universities to offer up to 10,000 extra training places. However, a number of surveys by nursing unions indicate that interest in nursing courses could decline substantially. Further to this, mature students may be deterred by the prospect of a second loan or high levels of debt later on in their careers. A key issue related to these points is the impact of austerity and the 1% public sector pay restraint as detailed previously.

UK University Applications to Nursing Courses by UK Region March 2016 vs March 2017



UK Undergraduate Course Acceptances (index, 2009=100)



Key findings:

Applications by students in England to nursing and midwifery courses at British universities have fallen by 23% after the Government announced the abolishment of NHS bursaries.

Whilst the drop was largest amongst applicants in England, there was also an 11% fall in those from Wales, 7% from Scotland and 4% from Northern Ireland.

Universities have dismissed this fall stating that the trend mirrors the fall in applicants after the 2012 tuition fee increase which then recovered in subsequent years.

Applicants have also been deterred by the 1% pay cap implemented in late 2015.

Positively there has been a marked increase in the number of available student places for nursing courses. It would appear that this uplift in acceptances can be attributed to the increased funding available to universities through the higher fees.

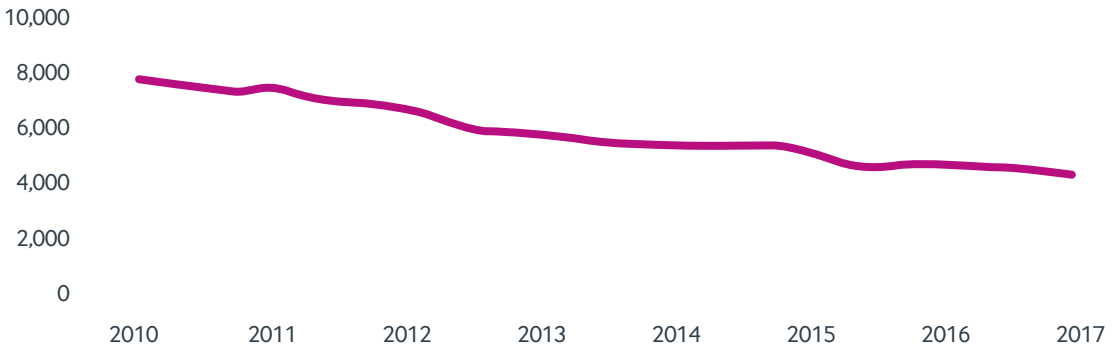
Source: UCAS (2017)

District and Community Nurses

District and Community Nurses provide an array of nursing interventions to people within the community. They play an essential role in not only supporting independence but also managing long term ailments and preventing further acute illnesses which could lead to unneeded hospital admissions. The impacts of such unnecessary admissions can include poorer patient outcomes and pressure on hospital wards due to beds being blocked.

As with the rest of the nursing workforce, the recruitment and retention of District and Community Nurses have been key challenges facing the profession in recent years. The graph below shows a steady decline in the number of full time equivalent (FTE) District Nurses since 2010.

Number of FTE Qualified District Nurses in the UK



Source: HCHS (2017), Christie & Co Analysis

Funding cuts have resulted in a marked decline in District Nurses over the last seven years. Monthly NHS workforce statistics show a 44% drop in the number of FTE District Nurses between 2010 and 2017.

A report by the King's Fund in August 2016 raised concerns on the challenges of recruiting and retaining staff due to the unattractiveness of the position. Described as a 'vicious cycle', this report stated that District Nurses are working under increased pressure due to the lack of staff available which, in turn, causes more nurses to leave and thus increases the demand-capacity gap.

Source: The Kings Fund (2016), HCHS (2017), Christie & Co Analysis

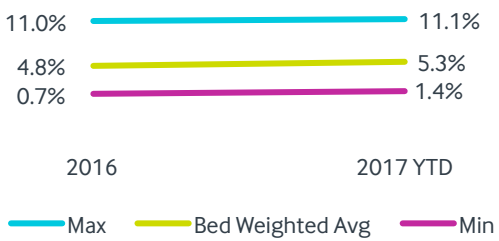
Actions required

- Increasing the number of District and Community Nurses is central to the wider philosophy of care in the community, thereby relieving some of the pressures from other areas of the NHS including unnecessary hospital admissions and bed blocking. Furthermore, a strong District and Community Nurse team can play a vital partnership role alongside care homes and other social care providers to deliver the best possible patient outcomes.
- To achieve the above, policies need to be put in place to make District and Community Nursing an attractive and sustainable role.
- Such policies need to focus on both the recruitment of new District and Community Nurses and strategies to retain existing nurses although, as the King's Fund report states, both are closely linked.
- Appropriate funding, training and support are key ingredients, although a fully inclusive and joined up approach with social care providers, hospitals and the wider NHS system is also essential.

Christie & Co Operator Survey – Agency Use in Elderly Care

Christie & Co's operator survey focuses on the key themes of staffing and funding whilst examining how the care home sector may be able to assist the NHS in reducing the level of bed blocking in hospitals. As with 2016, our operator survey is split between elderly and specialist care. Our sample for elderly is based on over 103,000 beds (41% of total supply) and 4,600 beds for specialist (15% of total supply). In each case, our survey includes data from most of the leading operators together with key regional providers.

Elderly - Agency Hours / Staff Hours

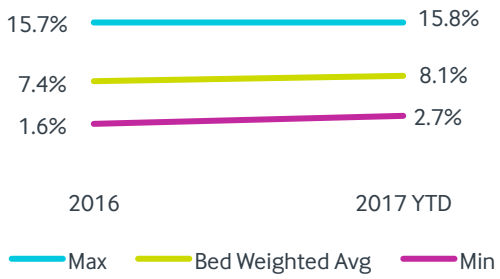


Average movement: **0.5pps**

Largest increase: **3.1pps**

Largest improvement: **-6.0pps**

Elderly - Agency Costs / Staff Costs



Average movement: **0.7pps**

Largest increase: **2.4pps**

Largest improvement: **-5.5pps**

Our Findings

As with last year's report, we witnessed a marginal uplift in agency usage in 2017.

Average agency hours rose by 0.5% and costs by 0.7% in the elderly sector.

Approximately 60% of all operators surveyed were able to reduce or maintain their agency cost share, whilst nearly 40% of operators reported an increase in agency spending in 2017.

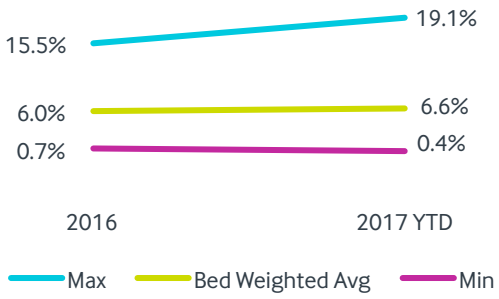
Agency costs have increased in line with agency hours which supports the narrative that the increased nursing shortage is having a material impact on operator staff costs.

Source: Christie & Co Operator Survey (2017)

Christie & Co Operator Survey – Agency Use in Specialist Care

As highlighted in our 2016 report *Funding, Staffing and the Bottom Line*, an ever increasing concern for specialist operators is the ability to source staff. This is due to the National Living Wage reducing the pay differential which previously existed between elderly and specialist providers, coupled with competition for staff from outside the sector. The situation was further compounded by the lack of compensatory fee rate increases for specialist providers in 2016 (1.9 % vs 4.5% for elderly). Our specialist operator survey this year covers most of the major providers across a spectrum of learning disability, mental health and other acute services.

Specialist - Agency Hours / Staff Hours

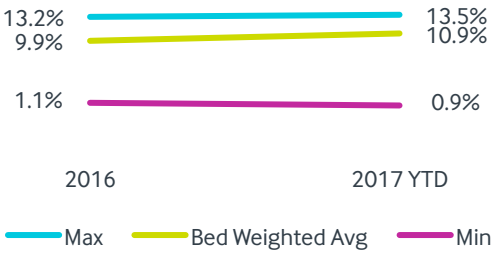


Average movement: **0.6pps**

Largest increase: **3.6pps**

Largest improvement: **-0.2pps**

Specialist - Agency Costs / Staff Costs



Average movement: **1.0pps**

Largest increase: **2.9pps**

Largest improvement: **-2.5pps**

Our Findings

The survey follows the theme of our 2016 report with a deteriorating trend.

Agency hours have increased by 0.6pps relative to 2016 with agency costs increasing by 1.0pps as a proportion of total staff costs.

Whilst there are ongoing challenges in recruiting nurses, many respondents to our survey report a need to use agency staff to cover support worker shifts.

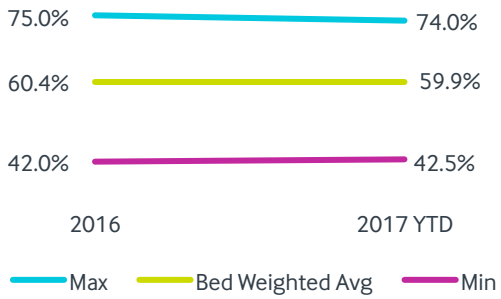
This further reinforces the need for additional funding to enable operators to enhance remuneration rates in a bid to aid both recruitment and retention.

Source: Christie & Co Operator Survey (2016 & 2017)

Christie & Co -Operator Survey – Overall Staff Costs

To complete the picture, the final part of our staff cost survey measures staff costs as a percentage of revenue. Historically and prior to the implementation of the National Minimum Wage (now the National Living Wage), staff cost ratios were typically at around 50% of revenue before steadily increasing to 60% or above.

Elderly - Staff Costs / Revenue

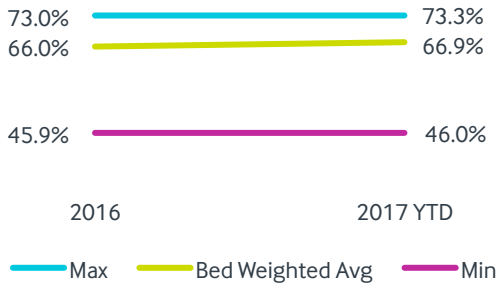


Average movement: **-0.5pps**

Largest increase: **4.2pps**

Largest improvement: **-12.3pps**

Specialist - Staff Costs / Revenue



Average movement: **0.9pps**

Largest increase: **3.7pps**

Largest improvement: **-3.0pps**

Our Findings

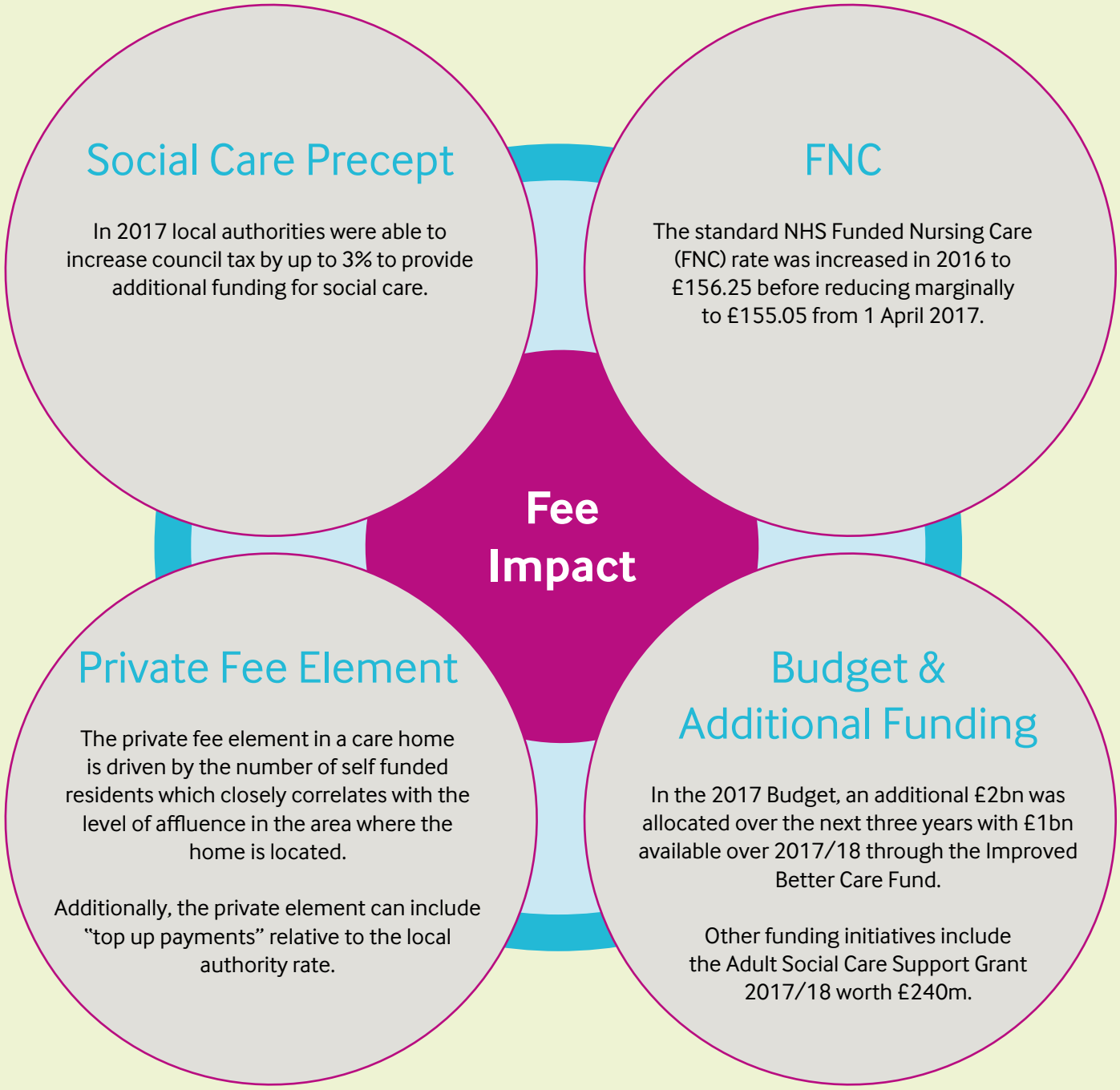
The majority of elderly care operators have seen subtle variation in their staff costs; 65% of operators managed to maintain or improve their margins so far this year.

One elderly operator surveyed improved staff costs by 12.3pps.

For specialist operators the position is more mixed with only 30% managing to maintain or improve their margins. The rest report a deteriorating trend and, with our survey showing an average staff cost ratio of 66.9% for specialist operators, many homes will be under increasing financial pressure. This reinforces the need for a material increase in funding, especially given the weak average fee increase of 1.9%, as reported in our survey for 2016, coupled with 1.0% for 2017 as detailed later in this report.

Source: Christie & Co Operator Survey (2017)

The Funding Backdrop



Source: Department for Communities and Local Government (2016), HM Treasury (2017), Department of Health (2017)

Care Home Funding - Local Authority Fee Rates

Background

Following the increase in the social care precept (which allows local authorities to increase council tax by up to 3%) and the additional funding of c. £1bn announced in the Spring Budget, we have undertaken a Freedom of Information Act survey of all local authorities to assess the impact of these policies on base local authority fee rates.

Our survey received responses from 123 local authorities in England (81%). Of these, 98 were able to confirm fee levels for 2017/18. We have analysed the fee rate settlements on a regional basis and relative to the type of care being provided.

Weighted LA Fees	Overall		Residential		Residential Dementia		Nursing		Nursing Dementia	
	Overall Average	Overall	2017/18 Changes	2017	2017/18 Changes	2017	2017/18 Changes	2017	2017/18 Changes	2017
London	£554	2.6%	2.7%	£524	4.1%	£573	4.1%	£553	3.7%	£592
South West	£549	5.4%	5.0%	£460	5.1%	£487	4.9%	£486	4.5%	£511
South East	£517	4.3%	3.7%	£456	4.1%	£494	3.5%	£489	3.6%	£506
East of England	£493	3.2%	5.3%	£506	6.7%	£576	3.6%	£551	3.8%	£588
North East	£487	3.5%	4.1%	£459	2.2%	£519	4.4%	£495	2.3%	£545
East Midlands	£480	3.8%	2.7%	£523	1.7%	£573	4.1%	£553	3.6%	£590
Yorkshire and The Humber	£478	5.0%	3.1%	£424	3.0%	£454	3.1%	£440	4.4%	£457
North West	£475	3.9%	3.2%	£477	3.0%	£492	4.7%	£489	4.8%	£501
West Midlands	£441	3.2%	3.8%	£438	3.9%	£495	4.0%	£476	4.1%	£524

N.B. All fees have been weighted by local authority spending on residential and nursing care 2015/16

	Median Increase	Average Increase	Average Fee 2017/18
Residential	3.05%	3.91%	£467
Residential Dementia	3.06%	3.82%	£518
Nursing	3.21%	4.16%	£516
Nursing Dementia	4.18%	4.18%	£545

N.B. All fees have been weighted by local authority spending on residential and nursing care 2015/16
N.B. Nursing Fees exclude FNC

Source: Christie & Co FOI (2017), HSCIC (2016)

81%

of local authorities in England responded to our survey

The North - South Divide

An Overview

England

Average fee rate increases from April 2017 for local authorities in England equated to 3.94% for residential and nursing care (compared to 4.50% in April 2016).

There is ongoing disparity between fee levels in the North and the South of England with the North and Midlands lagging behind London and the South. That being said, fee increases in these regions are generally encouraging for the current year and thus the revised base fee rates (as per the adjacent map) have marginally closed this gap, albeit a significant gap remains.

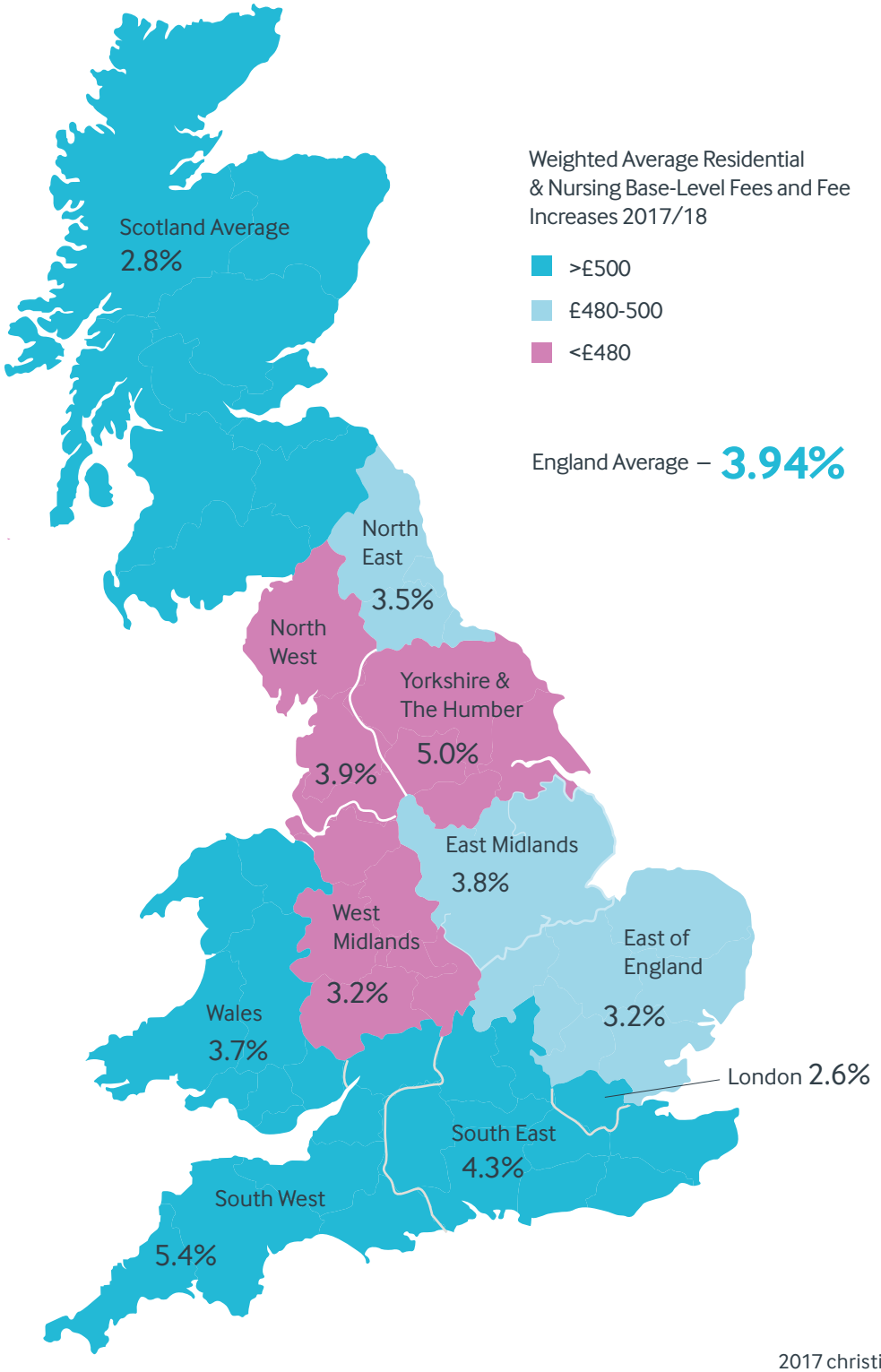
Wales

There have been modest fee increases across Wales averaging 3.6% for residential care and 4.1% for nursing. The overall trend is mixed, with significant variation by local authority and also by type of care. One local authority has not increased fees for residential care, although has ensured strong fee increases for nursing care, whereas other authorities have been consistent across care types. The highest fee increases seen were 8.0% which is encouraging.

Scotland

Scotland has been committed to increasing fee rates, with six monthly uplifts. The most recent uplift takes fees to £574 for residential care and £667 for nursing, reflecting uplifts of c. 2.8-2.9% (over a six month period).

The fee increases are dependent upon providers paying all care staff, regardless of age, a minimum of £8.45 per hour from April 2017.

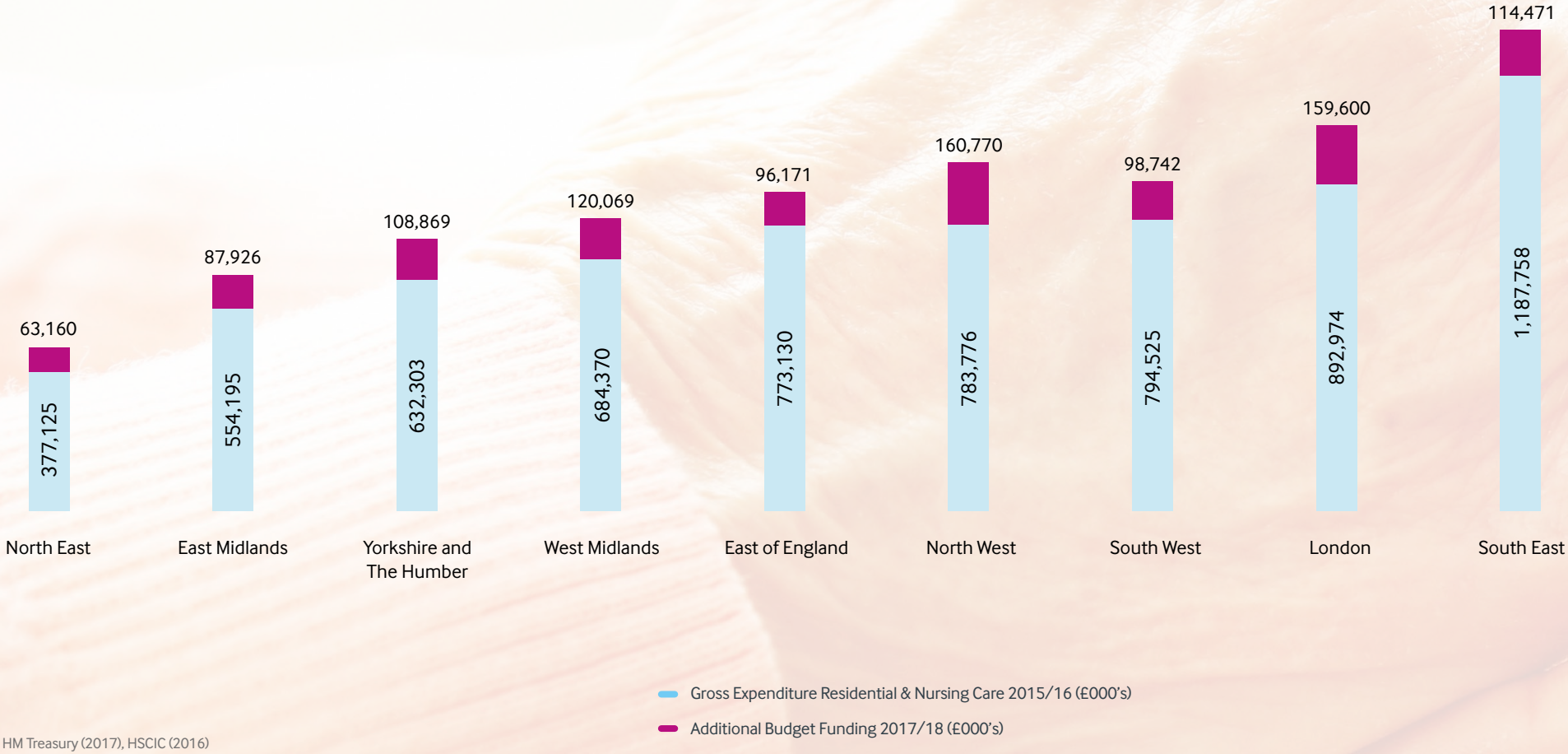


Source: Christie & Co FOI (2017)

The Additional £1bn Budget Funding

In the March 2017 Budget, the Government pledged an additional £1bn of funding for the Adult Social Care sector with this to be available over 2017/18. To put this figure into context, gross expenditure on residential and nursing care by local authorities totalled £6.7bn during 2015/16. Expenditure on residential and nursing care constitutes around 51% of the total expenditure across all care types which also include supported living, home-care and direct payments.

If considered purely in relation to residential and nursing care expenditure, regions could see increases in funding ranging from 10-21% (assuming that all budget funding is channelled specifically into residential and nursing care). The graph below shows gross expenditure on residential & nursing for 2015/16 and the allocation of the 2017 £1bn Budget funding, on a regional basis.

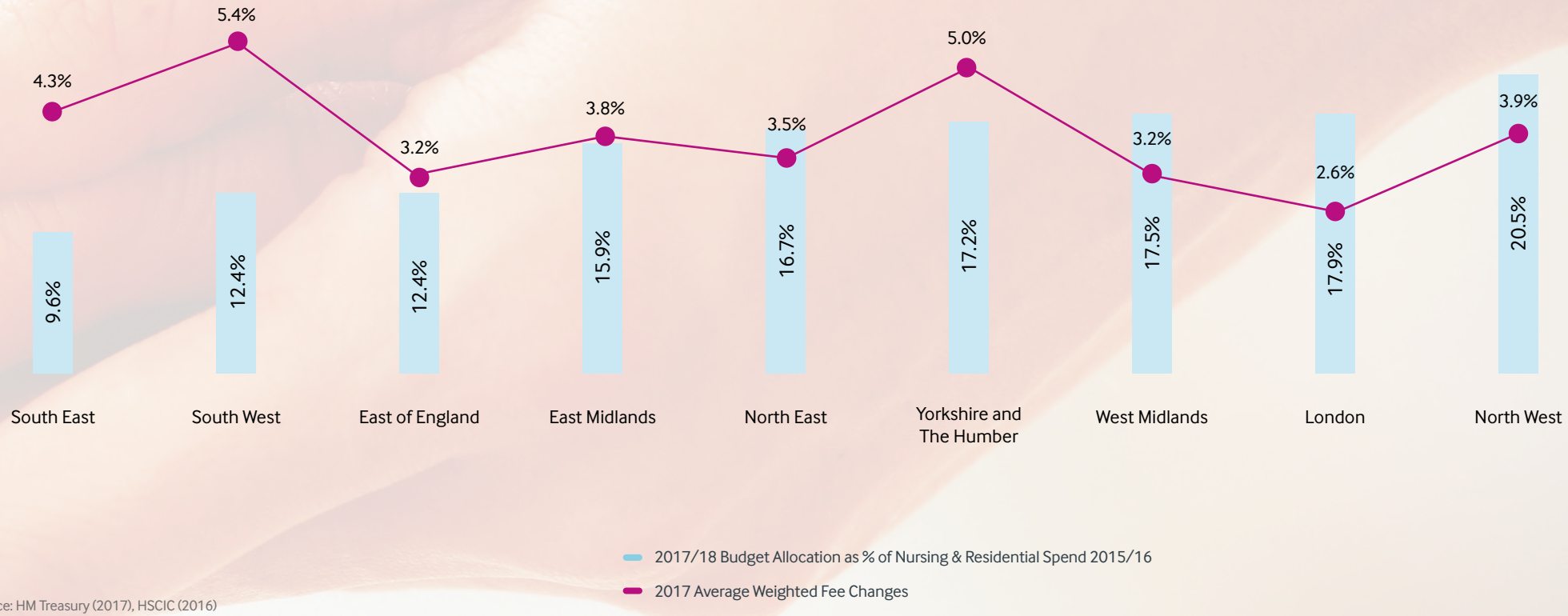


Source: HM Treasury (2017), HSCIC (2016)

How has the additional £1bn impacted fee rates for 2017?

There are a number of ways that the additional budget funding could benefit the elderly care sector. One possibility is through increased residential or nursing fees paid to operators by local authorities. We have considered whether the budget funding allocations have impacted local authority fees for the current year (starting April 2017), by assessing whether regions which received larger budget contributions, on a relative basis, also demonstrated greater fee level increases.

As illustrated by the graph, the North East and London appear to have received the highest proportion of funding allocations based on 2016 spending on residential & nursing care. However, fee movements for these regions for 2017 are more modest. Conversely, the South East and South West have received the smallest budget allocations and have two of the highest fee increases. This suggests that there is no obvious pattern emerging for the current year. That being said, it may also be too early to expect any significant impact from April 2017 given that the additional funding was only announced in March. It will therefore be interesting to assess the impact of the £1bn budget on fee increases in April 2018.



Source: HM Treasury (2017), HSCIC (2016)

Christie & Co Operator Survey - Average Fee Increases

For the purpose of comparing fee increases which care home providers are achieving relative to the base local authority levels, we asked respondents in our operator survey to provide data on their average fee rate levels. This is split between elderly and specialist care with operators in the elderly care sector also asked to provide a comparative response for privately funded residents.

Average Fee Increase 2017 - Specialist vs Elderly Care

	Specialist Care	Elderly Care
Max %	6.8	11.1
Average %	1.0	5.4
Min %	0.7	1.5

Elderly Care Fee Increase 2017 - Local Authority vs Private

	Local Authority	Private
Max %	11.9	9.8
Average %	5.2	6.3
Min %	1.0	2.0

Source: Christie & Co Operator Survey (2016 & 2017)

Commentary

Elderly Care

The average fee rate increase reported by operators is 5.4%, representing a 5.2% increase for local authority and 6.3% increase for privately funded clients.

The average local authority increase reported by operators of 5.2% compares with the base increase in our local authority survey of 3.94% (for England) and 4.5% in our 2016 operator survey. The data suggests that the larger operators, in particular, are achieving greater success this year in negotiations with local authorities.

In 2016, our operator survey revealed an increase in private fees of 6.3% with the highest increase being 9.8%. The results for 2017 are broadly identical whilst also illustrating the gap relative to the average increase of 3.94% (for England) in our local authority survey.

Specialist Care

Specialist care operators are almost exclusively reliant upon local authority / government funding with fee rates for residents usually determined on an individual basis.

Earlier in the report, we drew attention to the increased challenges which specialist providers are facing in relation to staff recruitment, particularly following the reduction in the differential hourly wage rate relative to elderly care, due to the National Living Wage.

In 2016, our survey of specialist operators reported a weak average fee rate increase of 1.9%. This year, the position has deteriorated further with the average increase reducing to 1.0%. The contrast with elderly care is stark and reinforces the need for policy makers to urgently look at funding for this important part of the care sector.

The UK's Bed Blocking Conundrum

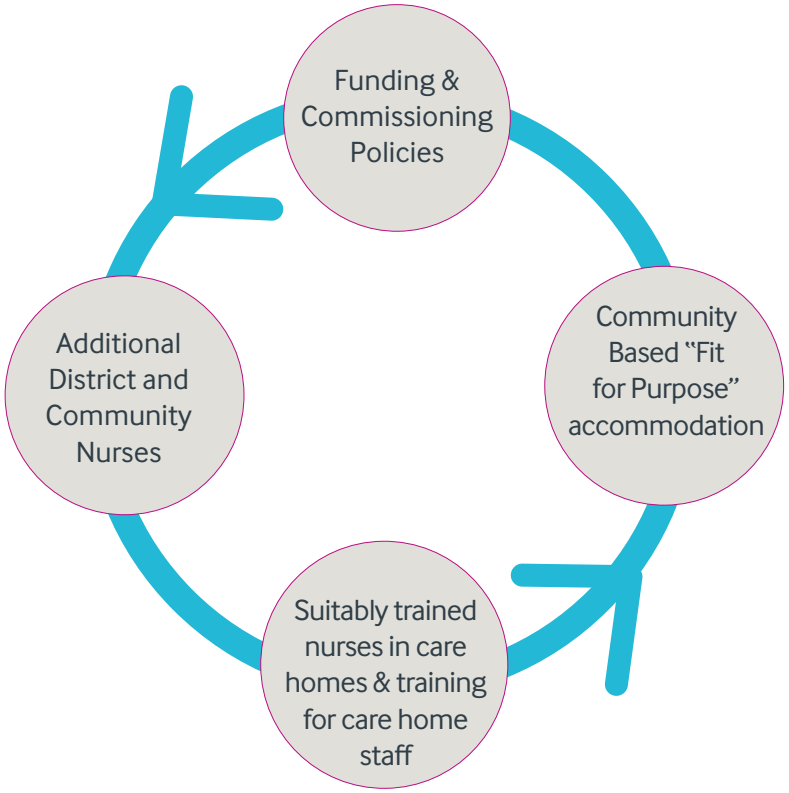
Bed blocking or delayed discharges occur when patients are fit enough to be discharged from hospital but require community based care or support.

Many factors contribute to bed blocking and it is an area which requires a comprehensive long term solution. The facilitation of a more joined up approach between the NHS and Adult Social Care is central to this with care homes and community nursing professionals playing a critically important role.

Such a role extends to the provision of community based services for the purpose of reducing unnecessary hospital admissions. However, once an admission is made, the role changes to the provision of a suitable transition out of hospital once the patient is fit enough to be cared for in the community.

In both areas, District and Community Nurses play a vital part but, as detailed earlier, the number of FTE District Nurses has reduced by 44% between 2010 and 2017.

What is needed to solve the bed blocking problem?



Scope also exists for care home providers to offer community based healthcare services to non residents although, to achieve this, there are a number of barriers which need to be overcome.

These include having premises with suitable accommodation and a staff team with the necessary training to provide the care and support which is required. Care homes which are already struggling to recruit sufficient nurses are at a disadvantage.

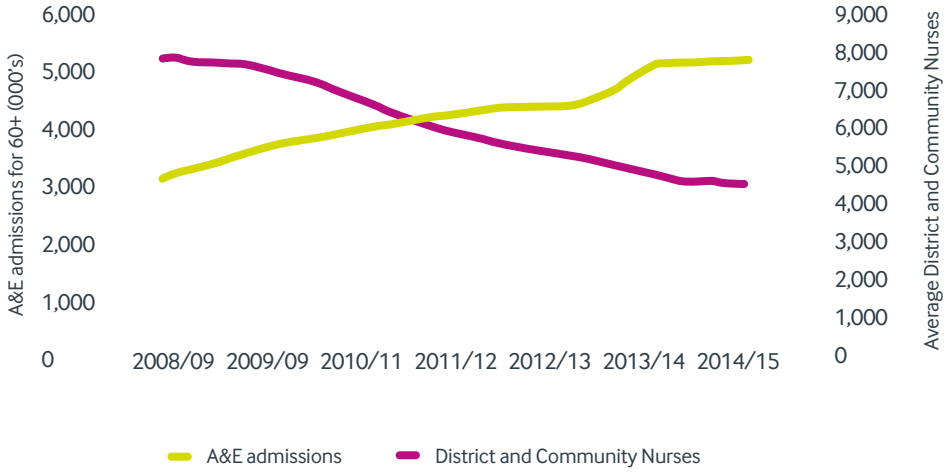
Ultimately, the provision of suitable funding, staffing and streamlined commissioning policies are the most critical factors. However, if a solution can be found, there are substantial benefits in terms of patient outcomes, cost savings and freeing up much needed bed space in the NHS.

> The issue of bed blocking in NHS hospitals is one of the key challenges facing the UK's health and social care system.

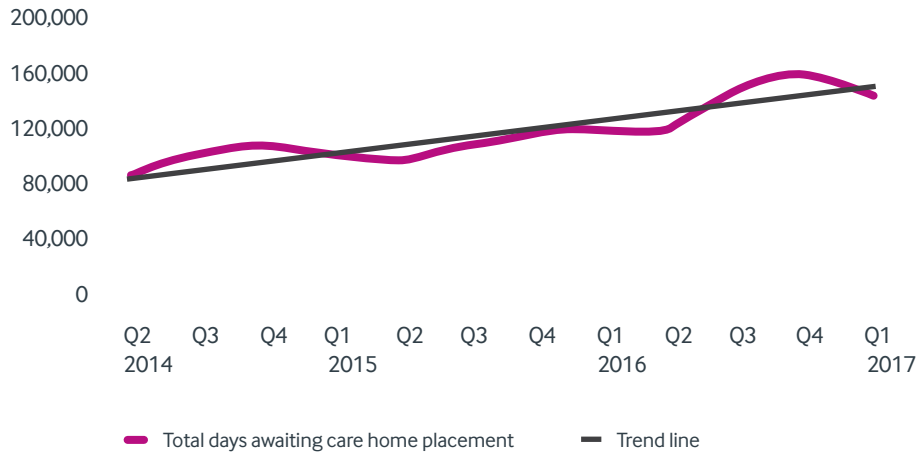
Source: The King's Fund (2016), Christie & Co (2017)

Bed Blocking – The Extent of the Problem

Number of 60+ A&E Admissions vs Average District Nurse Workforce Statistics



Total Number of Days Delayed Discharge Due to the Patient Awaiting Care Home Placement



44%

drop in FTE District Nurses between 2010 – 2017

65%

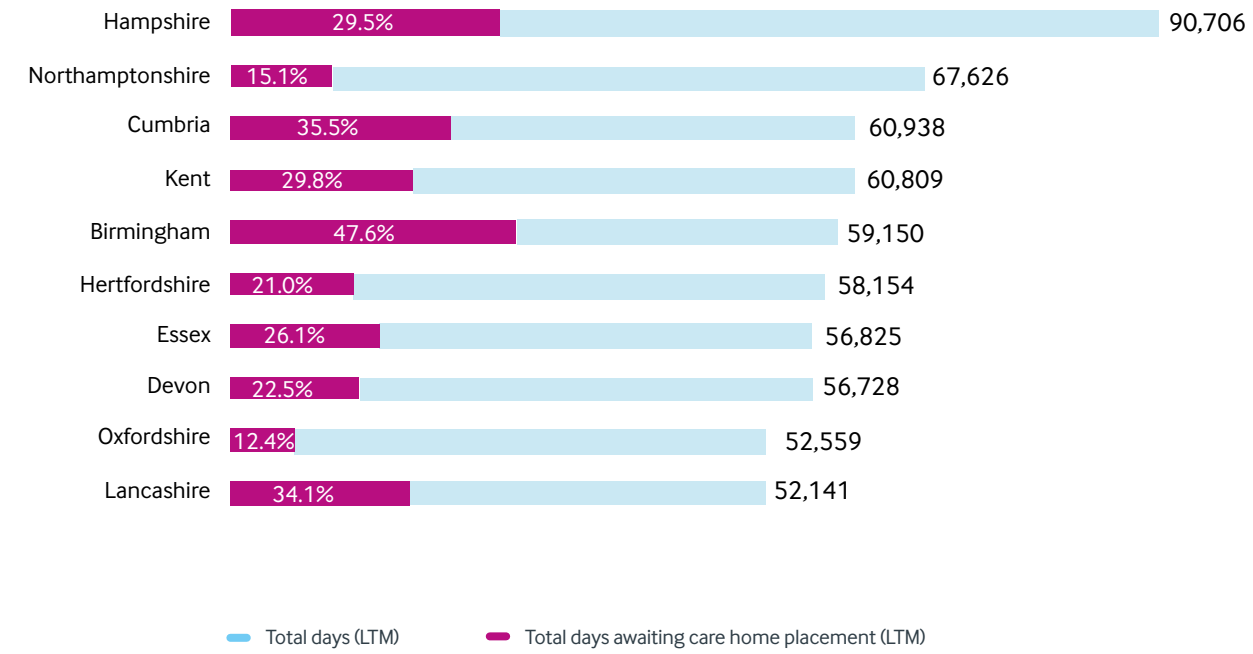
increase in A&E admissions for people aged 60+ since 2008

> In 2016, there were 2,148,394 delayed discharge days. Of these, over 25% were due to people awaiting care home placements.

Source: NHS England (2017), Christie & Co (2017)

Bed Blocking Hotspots

Top 10 Local Authorities Contributing to England's Bed Blocking Challenge (vs proportion awaiting care placement)



Note: last 12 months

> Estimated total hospital cost of £67.6m for top 10 local authorities vs estimated total care home cost of £14.3m.

Source: NHS England (2017), Christie & Co (2017)

Commentary

Data obtained from the NHS for the last 12 months to April 2017 shows that 20 local authorities (out of a total of over 150) account for 45.2% of the total number of delayed discharge days. These authorities are distributed across the UK and, for the most part, are more rural in nature with the exception of Birmingham which has a high population density.

It is beyond the scope of this research to examine in detail the factors which contribute to the high level of bed blocking in these areas. However, with the main political parties acknowledging the need to create a more streamlined approach between the NHS and Adult Social Care, we have sought to establish whether existing care homes have sufficient capacity to meet this additional demand.

Top 10 local authorities contribute over

27% of total days

Top 20 local authorities contribute over

45% of total days

Christie & Co Operator Survey – Bed Blocking

Research Findings

There are examples of a number of care homes in different regions providing intermediate or reablement care services and, indeed, the concept of integration between health and social care is a key objective of the Better Care Fund. In September 2016, the NHS published *The Framework for Enhanced Health in Care Homes* based on six vanguard projects across the UK. Part of this relates to reablement and rehabilitation care which some care home providers are now offering in partnership with local NHS Trusts. Furthermore, Care England is actively working with other stakeholders through the Better Use of Care Homes Working Group and the Independent Care Sector Steering Group to encourage further innovation in the sector. These groups form part of the "Hospital to Home Programme" which is incorporated within the Urgent and Emergency Care Programme at NHS England.

As part of our research, we have sought to establish the extent of existing operator capacity in the regions with the highest number of delayed discharge days. Operators were requested to confirm current occupancy in the various regions and we combined this with additional data from our proprietary benchmarking system. The results are shown in the table below and should be considered in conjunction with the following.

Our Findings

Our survey confirms there is occupancy capacity in these areas but a number of the homes are older style facilities which are below the latest market standards. Investment and adaptation is likely to be required.

Funding is a key issue with our local authority survey showing a wide disparity in fee rates across these different areas.

In more rural situations, many care homes with occupancy capacity are not positioned in the same towns as the hospitals with the bed blocking challenges. Care homes located in more rural settings often struggle to recruit nurses and this combined with the shortage of District and Community Nurses makes it more challenging to discharge patients from hospitals into community based care settings.

Whilst care homes can clearly contribute in a major way to the overall solution, commissioning policies, funding and staffing remain key barriers which require a sustainable long term solution.

Name	Total Days Delayed Discharge (Last 12 months)	Days Delayed Awaiting Care Home Placement (Last 12 months)	Occupancy	Capacity
Hampshire	90,706	26,744	84.2%	✓
Northamptonshire	67,626	10,245	92.0%	✓
Cumbria	60,938	21,609	91.9%	✓
Kent	60,809	18,151	89.6%	✓
Birmingham	59,150	28,141	77.5%	✓
Hertfordshire	58,154	12,200	89.4%	✓
Essex	56,825	14,834	80.3%	✓
Devon	56,728	12,743	84.3%	✓
Oxfordshire	52,559	6,514	89.2%	✓
Lancashire	52,141	17,760	85.5%	✓

Source: Christie & Co Operator Survey (2017), NHS (2017)

Conclusion

A number of important themes emerge from the findings of our research this year which the Government should be mindful of as Brexit negotiations progress. People remain the most crucial part of the UK's healthcare system with our report highlighting a growing shortage of permanently unfilled nurse vacancies. This manifests itself across the health and social care system with the situation now compounded by the material reduction in EU nurses registering to work in the UK since the Brexit vote. Whilst the number of new nurse training places in the UK has increased, there is concern that the removal of the bursary scheme may deter new applications unless earning potential increases. Within the NHS, remuneration is impacted by the public sector pay restraint and, in social care, an operator's ability to pay higher hourly rates is directly linked to local authority funding, referral levels and fee rates.

With reference to funding, our local authority survey shows a mixed picture with significant regional variation. Positively, our operator survey shows that elderly care providers have been able to negotiate higher increases relative to the base local authority rate. This should be placed into context though by acknowledging that many residents living in care homes now have higher acuity needs with operators proactively seeking additional fee payments to cover the cost of this enhanced care. Furthermore, prior to 2016, the care sector had been impacted by austerity with successive years of below inflation fee rate increases.

As with our 2016 findings, we are concerned to report that for the second successive year, average fee rate increases for specialist care providers have been materially lower than the comparative elderly rate. This is compounded by the rate of average increase decreasing from 1.9% in 2016 to 1.0% in 2017 with the net effect being an increase in the average staff cost ratio for specialist providers to 66.9.% Unless specialist providers have been able to mitigate this increase, it is likely that net profit margins will have eroded.

Turning to bed blocking, our survey has shown that care homes do have capacity to "make a difference" in the 10 regions with the highest level of delayed discharge days. We encourage care home operators to explore whether there is potential to develop reablement or rehabilitation care services in their local areas whilst acknowledging that a number of macro challenges need to be overcome.

With Brexit, our continued ability to recruit overseas nurses takes on a greater level of importance. Furthermore, we encourage policy makers to review immigration policies to ensure that nurses remain on the Shortage Occupation List beyond the current time limit of 2019.

A proactive approach in dealing with these multifaceted challenges will be vital for the industry going forward. However, it is also clear that there are great opportunities if an appropriate and sustainable long term solution is put in place.

Christie & Co is delighted to work at the forefront of this incredibly important sector where people are the most important component. We encourage all stakeholders to actively engage and will be pleased to assist in any way we can through sharing the insight gained from our research and wider sector knowledge.

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Richard joined Christie & Co in 1989 from a major retirement housing developer. He has specialised in healthcare throughout his career and was appointed Christie & Co Head of Healthcare in 1999. Richard is acknowledged as one of the UK care sectors leading transactional specialists and has consistently featured in HealthInvestor's "Power 50" since its inception. Richard has an extensive network of relationships with the top healthcare operators and financiers, including US REITS, hedge funds and Special Opportunity buyers. Overall, Richard's team is responsible for more than 50% of all individually transacted deals in the UK market.

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Michael was appointed a Director of Christie & Co in 2005 and is a qualified Chartered Surveyor with 20 years' experience within the care sector, providing valuation, consultancy and landlord and tenant advice to substantial portfolios and single asset properties. His market knowledge spans elderly and specialist care, as well as children's homes, day nurseries and schools in the UK and also Germany. Michael has also developed particular expertise in business turnaround, re-positioning studies and recovery having spent 22 months as a seconded resource to the restructuring team in RBS. Michael leads Christie & Co's Healthcare Consultancy business with a client base which includes a number of leading private equity companies, hedge funds, operators and specialist investors.

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Hannah has worked on most of Christie & Co's recent major healthcare advisory and transactional mandates and is responsible for the development of our market leading care analytics data system. Prior to joining Christie & Co, Hannah worked as an Analyst for the National Radiological Protection Board undertaking investigative studies and complex data analytics. As a mathematician with a First Class Honours degree from the University of Reading, Hannah is an expert in complex data modelling and trend analysis.

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Karun is a Senior Consultant on the Healthcare Consultancy team. As well as being heavily involved in this project, he supports Christie & Co's major healthcare advisory outputs. His experience is centered around real estate with a focus on market research and data analysis. Prior to Christie & Co, Karun was a senior analyst on the capital markets team at Cushman & Wakefield. While his remit covered transactional trends within the European commercial market he also provided research and strategy insight to major flagship reports. He also has experience within private equity. As a History graduate from University College London, Karun has extensive research and qualitative capabilities and will be working on developing our outputs going forward.

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