

CARE COST BENCHMARKS

A TOOLKIT FOR CALCULATING THE COST STRUCTURE OF NURSING &
RESIDENTIAL CARE HOMES FOR OLDER PEOPLE &
PEOPLE WITH DEMENTIA IN ANY GIVEN LOCALITY IN ENGLAND

SEVENTH EDITION

the revised & refreshed face of LaingBuisson's *Fair Price for Care*

COVERING TWO PERIODS:

OCTOBER 2015 - MARCH 2016 &
APRIL - SEPTEMBER 2016

FULLY REVISED AND UPDATED BASED
ON PROPRIETARY LaingBuisson 2015/16
COST BENCHMARKS

BASED ON ACTUAL PAY RATES AT
OCTOBER 2015 AND PLANNED (NLW)
PAY RATES FROM APRIL 2016

STAFFING LEVELS RE-BASED ON
OCTOBER 2015 SURVEY RESULTS

CARE HOME COSTS SPLIT INTO:

- CARE •
- ACCOMMODATION •
- ANCILLARY SUPPORT •
- GENERAL LIVING COSTS •
- OPERATOR'S PROFIT •

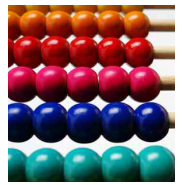
INCLUDES COMPREHENSIVE
EXPLANATORY GUIDE

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LaingBuisson believes that the **demands resulting from an ageing population** mean that more care homes will be needed in the future. However, most public sector funding agencies **do not currently offer fees that are sufficient to encourage care home operators to invest** in new capacity for state-funded clients. The Care Cost Benchmarking toolkit offers a transparent and evidence-based mechanism for working out what such fees should be, based on the costs borne by care homes.

First produced in 2002 in partnership with the Joseph Rowntree Foundation as a means by which to provide a **consistent and data-founded** means of calculating reasonable operating costs within efficient facilities, this latest update has for the first time divided the year into two periods, October 2015 – March 2016 and April – September 2016, in order to synchronise with step changes in care home costs as revisions are implemented in **National Living Wage** for employees of 25 and over (in April) and National Minimum Wage for employees under 25 (in October). This means that there are now **two Parameters Worksheets in the Toolkit Spreadsheet**, one for the period October 2015 – March 2016 and one for the period April – September 2016, and each of these two worksheets draws data from its corresponding 'Regional Data' worksheets: 'Regional Data Oct 15-Mar 16' and 'Regional Data Oct 15-Mar 16'.

The other **principal revision** for 2015/16 is that the underlying 12% Return on Capital (ROC) benchmark has been marked down to 11% in recognition of a modest upward trend in care home values and a corresponding modest downward trend in the yield that investors in care homes are willing to accept in a post-crash, low interest economic environment.

This seventh edition of the Toolkit Spreadsheet has been populated with data collected by LaingBuisson from the following principal sources:

- + Pay rates and terms and conditions for hourly paid care and domestic staff: a) as at October 2015, following the 1 October National Minimum Wage revision; and b) planned for April 2016, following the 1 April implementation of National Living Wage
- + Home manager basic salaries
- + Rostered staff benchmarks
- + A review of deal values and market commentaries by business transfer agents was carried out in order to gauge recent experience on care home sale prices as a multiple of operating profits and on current yields expected by property investors for leasing turnkey care home assets to operators. This evidence was used to determine the 'whole business' rate of return on capital benchmark within the Toolkit Spreadsheet as well as the rate of return benchmark for the accommodation element only.

Explanatory Guide Chapters & Figures

Introduction & Background

- Objective
- Scope
- Revisions in successive Care Cost Benchmarks reports
- The evidence base
- Historical market overview - fees, profits and capacity needs
- Current gap between 'fair fees' and fees paid by councils
- Why calculate fees from a costing model using local data?

Structure of the toolkit spreadsheet

- The component parts
- Conceptual framework

National benchmarks entered in the toolkit

- Occupancy rate
- Hourly paid staff hours, pay rates & on-costs
- Management, administration & reception staff costs/on-costs
- Agency staff
- Staff turnover & training backfill
- Corporate overheads
- Repairs & maintenance
- Other non-staff current costs

- Return on accommodation & operator's profit
- Capital (asset) value of care homes
- Care Cost Benchmark bottom line
- Accommodation cost discount factor grading tool
- Operator's profit discount
- 'Ceiling' and 'floor' fair fee summary

Cost of a fully modernised care home sector

Future changes in care home costs

Exclusive tables

- Gap between fair market fees and average fees paid by English councils, 2014/15
- Care staff hours benchmarks for nursing and residential care of older people and people with dementia, UK 2008-2014
- Projected statutory minimum employers' pension contributions as a % of gross earnings of hourly paid staff under the Pensions Act 2008
- Indicative potential cost to the public sector at 2014/15 prices of increasing local authority fees to Fair Price for Care levels



This seventh edition of LaingBuisson's **Care Cost Benchmarks** toolkit has been fully updated and revised using average pay rates from more than 1,000 respondents to our exclusive autumn/winter 2015 survey of care homes.

The toolkit consists of **five inter-related spreadsheets:**

- + Parameters & assumptions
- + Nursing care - older people
- + Nursing care - dementia
- + Residential care (care only) - older people
- + Residential care (care only) - dementia

In addition to the **latest changes in operating costs**, the toolkit aligns the costs involved in the work carried out by the Dilnot Commission in 2011, splitting out care homes costs into four main areas:

- + Care
- + Accommodation
- + Ancillary support & other general living costs
- + Operator's profit

This format makes each of the costs involved in the provision of these specialist care provisions more transparent, in particular separating out the cost of providing accommodation (the care home



asset) from the profit that the operator reasonably requires for delivering the service.

Furthermore, the **Care Cost Benchmarks** toolkit can present provider's financial flows in the formats likely to follow from any future implementation of the Dilnot recommendations.

And, building upon last year's update, this seventh edition continues its expert utilisation of **pay rates** and **land prices** enabling manipulation of results at **regional** and **council level**.

Care Cost Benchmarks is an essential tool for commissioners and providers of care services throughout the UK, local councillors, advocacy groups for older people and social policy experts, as well as politicians, civil servants and other policymakers concerned with appropriate funding for long-term care. And with figures generated from the toolkit regularly forming the backbone of judicial reviews into local authority care fee settlements, and informing the business cases of operators looking to expand, **Care Cost Benchmarks** also has uses across the legal and financial sectors.

Market Reports, Forums, Conferences, Newsletters, Data, Consultancy...

As the country's leading provider of healthcare intelligence, LaingBuisson's products and services are used by healthcare experts working in a range of roles - from chief executives, financial directors and business development managers of independent health and care providers to key decision makers in private equity, the advisory community and the heads of both regional and national government making key spending decisions.

In addition to Market Reports, LaingBuisson publishes business newsletters and holds a number of well-attended annual conferences and Forum events which bring together delegates from every area of health and social care across the private, public and voluntary sectors.

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The healthcare experts

CARE COST BENCHMARKING A TOOLKIT FOR CARE HOMES

FIRST EDITION

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CARE COST BENCHMARKS A TOOLKIT FOR CARE HOMES

NB: This product consists of a PDF Guidance Book and a Microsoft Excel file

CARE OF OLDER PEOPLE UK MARKET REPORT

The latest updated edition of LaingBuisson's unrivalled market report on the UK's elderly care market presents unrivalled analysis of trends in this £24bn-plus marketplace, including a view of the impact of the National Living Wage and the full effects of the Care Act.

TWENTY-SEVENTH EDITION

Published September 2015

DOMICILIARY CARE UK MARKET REPORT

Long awaited refresh of LaingBuisson's fully comprehensive overview of the homecare market for older people and people with care needs addressed away from institutionalised facilities.

THIRTEENTH EDITION

Published April 2016

LaingBuisson's HEALTHCARE MARKET REVIEW

A unique annual review of trends in acute healthcare, insurance, mental health services, primary medical care & long term care and many other specialist care sectors. The publication includes special articles and comprehensive directories of healthcare provider organisations and insurers, independent hospitals, out patient clinics, pathology laboratories and a private equity deals table.

TWENTY-EIGHTH EDITION

Published February 2016

CCMn (Community Care Market news) & HMn (Healthcare Market news)

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