LaingBuisson

Homecare and supported living – a curate’s egg of a market –
good in parts, not in others

London, 26 April 2018

The UK addressable market for homecare and supported living is worth £9.1 billion (2016/17 figures),
according to market intelligence company LaingBuisson, which has today published the second edition of its
Homecare and Supported Living UK Market Report.

Almost all homecare and supported living is now provided by the independent sector, mainly for-profit
companies, with local authority provision amounting to less than 5% of the addressable UK market. This is the
exact inverse of the situation when the community care reforms of 1993 were introduced just two and a half
decades ago.

This is not a single market, according to this fully revised and updated report, but rather a series of markets,
each with its own strengths and weaknesses, market dynamics and profitability. Seven sub-markets are
identified in total.

The largest, and most discredited, is the mainstream ‘time and task’ visiting homecare model. Many local
authorities have exploited their monopsony purchasing power during austerity to shift risk to providers, cut
visits to 30 or even 15 minutes and drive prices down relentlessly. In the process they have driven several
providers to exit the market entirely, prompting some councils to ease the price pressure recently to sustain
supply in the face of providers ‘handing back contracts’, but the real costs remain too high for councils. At the
same time, there is also a parallel and much healthier ‘time and task’ model catering for private pay clients,
where prices better reflect costs and the balance of power between customer and provider is more evenly
balanced.

The report goes on to describe and analyse other business models, including supported living and homecare
delivered to clustered settings, with the double bonus of better staff continuity as well as higher profitability
through reduced overheads. Live-in homecare is another segment with its own dynamics and staffing model,
which is rapidly expanding from a small base. The report also looks at the special characteristics of ‘complex
care’, which is mainly NHS funded, and at largely privately funded franchised home care business.

Strong growth in underlying demand is expected to continue for at least two decades and beyond, with
homecare having the potential to grow at a CAGR (Compound Average Growth Rate) of 2.6% and supported
living by a very similar 2.7%, according to LaingBuisson projections. The key driver of demand in homecare is
the ageing population, while in supported living it is improved survival rates for younger adults with learning
disabilities.

According to the report the full projected growth for homecare may not be realised, because of continuing
government austerity measures. Three-quarters of homecare is publicly funded and, even if austerity were
relaxed, the public funding envelope is unlikely to expand as rapidly as underlying demographic pressure.
Expansion of supported living, in contrast, looks more assured, despite being almost 100% public funded. It has
been given a ‘fair wind’ by from the Government’s policy decision in October 2017 to continue making
enhanced rates of Housing Benefit available to underwrite the expansion of supported housing for younger
adults with long term needs.

The main threat to providers of supported living services continues to be their back-pay liabilities arising from
HMRC’s reinterpretation of workers’ right to be paid at National Living Wage for sleep-ins. The liabilities, which
go back six years, could cause some providers to go out of business and during 2018 the sector will be eagerly
awaiting news of what support, if any, government can offer.
William Laing, author of the report said:

‘Homecare and supported living remain among the most fragmented markets in social care. The ten largest providers combined have only a 16% share, which is the lowest in the independent health and social care sector. The absence of consolidation must be due, at least in part, to the harsh financial environment to which public facing homecare providers in particular have been exposed during the years of austerity since 2010/11, with operating profits falling close to zero, and even into negative territory for some providers. Even when austerity relaxes, it may be difficult to re-establish their strategic commitment to the mainstream public facing sector.

‘But not all is bad news. There are many segments of the homecare and supported living sector which remain profitable and where business models remain sustainable. There are also several success stories, of companies able to grow both organically and by acquisition despite an often challenging market environment.’

The report ends by looking at market potential, focusing on the potentially transformative effect of health and social care integration, which is currently one of the government’s flagship policies. Bringing together health and social care offers the potential to transform the market for publicly paid homecare and supported living by moving away from the current, flawed ‘time and task’ model to one based on outcomes. There are obvious opportunities, the report points out, in integrating council funded homecare and NHS funded district nursing services, where visiting staff often do the same jobs and sometimes even meet each other on their clients’ doorsteps.

More speculatively, the report argues, there could be real potential from turning the public sector’s policy of rationing by eligibility criteria on its head. Two innovative models of social care are described which promise ‘more for less’ by harnessing community resources to offer early intervention. Their common premise is that early intervention may also minimise the need for high intensity social care which absorbs most local authority budgets at present.

William Laing concluded:

‘We must also not forget the opportunities created by digitally-enabled homecare. While this market is still in its infancy and may not create much change in the short term, it could ultimately be transformative in the way care in the home is delivered’

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Notes to Editors

About LaingBuisson

LaingBuisson, the leading health and social care market intelligence provider, has been serving clients for over 30 years, providing insights, data and analysis on market structures, policy and strategy. We are the chosen provider of independent sector healthcare market data to the UK Office for National Statistics (ONS) and work with providers, commissioners, payors, manufacturers, investors, regulators and advisors. We help our clients to understand their markets, make informed decisions and deliver better outcomes through market intelligence, consulting and data solutions.

For more information, please visit our website at www.laingbuisson.com.
About William Laing

William, founder of LaingBuisson, is a well-known healthcare economist and leading commentator on health and community care. His views are often quoted in the media and he is frequently invited to contribute to radio programmes, speak at conferences and to participate in ‘think tank’ committees. Before founding LaingBuisson in 1976, William worked for the Association of the British Pharmaceutical Industry and the Office of Health Economics where he was Deputy Director. He has a BSc Econ from the London School of Economics.

About the Homecare and Assisted Living Report

Now in its second edition, LaingBuisson’s Homecare and Assisted Living report looks at care outside of residential settings for older people and younger adults (i.e. those under the age of 65). This includes adult social care services, complex care and supported living as well as NHS Community Health Services and informal care. Topics covered by the report include:

- Market size
- Segmentation
- Historic market growth
- Funding
- Supply and demand
- Demand drivers
- Business models
- Government policy and regulation
- Payors
- Major providers
- Investors
- Market potential