

TABLE OF CONTENTS

| | |
|---|-----------|
| FOREWORD | iii |
| LIST OF TABLES | xv |
| LIST OF FIGURES | xix |
| EXECUTIVE SUMMARY AND HIGHLIGHTS | 1 |
| 1. MARKET | 19 |
| 1.1 Definition and scope | 19 |
| 1.2 Data sources | 19 |
| 1.3 Market size | 20 |
| 1.4 Segmentation | 21 |
| 1.4.1 Supply side segmentation | 21 |
| 1.4.2 Segmentation by client type | 22 |
| 1.4.3 Dementia | 22 |
| 1.4.3.1 Major care home operators' focus on dementia care | 24 |
| 1.4.3.2 'Full-service' dementia care brands yet to emerge | 24 |
| 1.4.3.3 Segregated or non-segregated care homes for people with dementia | 25 |
| 1.4.3.4 Antipsychotic medication and non-pharmacological alternatives | 25 |
| 1.4.3.5 Quality of dementia care services | 25 |
| 1.4.3.6 Dementia fee premium | 25 |
| 1.4.3.7 National Dementia Strategy | 25 |
| 1.4.4 Premium priced homes | 27 |
| 1.4.4.1 Pricing in premium care homes | 31 |
| 1.4.5 Respite care | 31 |
| 1.4.6 Intermediate care | 32 |
| 1.4.7 End of Life Care | 34 |
| 1.5 Funding by payor type | 35 |
| 1.6 Growth | 36 |
| 1.6.1 Historic trends in capacity and volume of demand over the last five decades | 36 |
| 1.6.1.1 Capacity | 36 |
| 1.6.1.2 Volume of demand | 37 |
| 1.6.2 Historic growth in market value | 39 |
| 1.6.3 Growth by source of funding | 40 |
| 1.6.3.1 Market value | 40 |
| 1.6.3.2 Market volume | 41 |

| | | |
|---------|---|----|
| 1.6.3.3 | Trends in numbers of independent sector homes and capacity per home | 44 |
| 1.6.4 | Future growth – projections of demand | 46 |
| 1.6.4.1 | Conservative projection | 46 |
| 1.6.4.2 | Alternative (less conservative) projections | 47 |
| 1.7 | Demand drivers | 47 |
| 1.7.1 | Age-specific demand | 47 |
| 1.7.2 | Population ageing and demand projections | 48 |
| 1.7.3 | Further commentary on demographic issues | 52 |
| 1.7.3.1 | Changes in families’ willingness to provide informal care | 52 |
| 1.7.3.2 | Dementia | 53 |
| 1.7.3.3 | Compression of morbidity | 54 |
| 1.7.4 | Financial resources – public funding | 56 |
| 1.7.5 | Financial resources – private pay | 56 |
| 1.7.5.1 | Ability to pay from income | 57 |
| 1.7.5.2 | Ability to pay from assets – home ownership | 57 |
| 1.7.5.3 | Value of property assets | 59 |
| 1.7.5.4 | Robustness of residential property values | 59 |
| 1.7.6 | Counter drivers of care home demand | 60 |
| 1.7.6.1 | Housing with care | 60 |
| 1.7.6.2 | Live-in homecare | 61 |
| 1.8 | Demand and supply | 61 |
| 1.8.1 | Historical trends in volume of demand and capacity | 62 |
| 1.8.2 | Balance between nursing and residential care | 62 |
| 1.8.3 | Shift in public sector demand down the care continuum | 67 |
| 1.8.4 | Local authority demand | 67 |
| 1.8.4.1 | Expected expansion of councils’ market influence under the government’s social care reforms | 69 |
| 1.8.5 | Self-pay demand | 70 |
| 1.8.6 | NHS-funded demand | 70 |
| 1.8.7 | Occupancy rates | 71 |
| 1.8.7.1 | Pre-Covid | 71 |
| 1.8.7.2 | Post-Covid | 73 |
| 1.8.8 | Occupancy rates by region | 74 |
| 1.8.9 | Openings and closures | 74 |
| 1.8.9.1 | Impact of Covid on openings and closures | 75 |
| 1.8.10 | Index of supply by region | 75 |

| | | |
|------|---|-----|
| | 1.8.11 International comparisons | 80 |
| 1.9 | Staffing | 80 |
| | 1.9.1 Endemic recruitment and retention challenges | 82 |
| | 1.9.2 State of the labour market at the beginning of 2022 | 82 |
| | 1.9.3 Data from Skills for Care | 83 |
| | 1.9.4 Will labour availability constrain future expansion of supply? | 85 |
| | 1.9.4.1 Projections of future staffing requirements | 85 |
| | 1.9.3.2 Higher paid staff grades | 86 |
| | 1.9.3.3 Low paid staff | 86 |
| | 1.9.3.4 Overseas recruitment | 88 |
| 1.10 | Key operational metrics | 88 |
| | 1.10.1 Operating costs | 88 |
| | 1.10.1.1 Payroll costs | 95 |
| | 1.10.1.2 Non-staff current costs and repairs and maintenance | 98 |
| | 1.10.1.3 Corporate overheads | 98 |
| | 1.10.1.4 Capital costs | 99 |
| | 1.10.2 Fees | 100 |
| | 1.10.2.2 Components of composite average fees – council paid and private pay | 100 |
| | 1.10.2.4 Comparisons between council-paid and private pay fees at individual council level | 102 |
| | 1.10.3 Occupancy rates | 103 |
| | 1.10.4 Impact of Covid-19 on operational metrics and profitability | 106 |
| 1.11 | Operating and investment models | 109 |
| | 1.11.1 Operating models | 109 |
| | 1.11.2 Investment models | 112 |
| 1.12 | Performance measures | 112 |
| | 1.12.1 Profitability metrics | 112 |
| | 1.12.2 Historical profitability (EBITDARM, at home level, reported by securitised portfolios) | 112 |
| | 1.12.3 Recent operating profit margins | 113 |
| | 1.12.4 Quality performance | 116 |
| | 1.12.5.1 Incentives to perform well on CQC fundamental standards | 117 |
| | 1.12.5.2 Does size matter? | 117 |
| | 1.12.5.3 Scotland – rejection of overall ratings | 118 |
| | 1.12.5.4 Wales – no ratings | 118 |
| | 1.12.5.5 Customer satisfaction | 119 |

| | | |
|-----------|---|------------|
| 2. | POLITICS AND REGULATION | 121 |
| 2.1 | Historical background: emergence of the independent sector as the dominant supplier of social care services from the late-1970s | 121 |
| 2.1.1 | Expansion of the independent care home sector triggered by income support from late-1970s | 123 |
| 2.1.2 | Contraction of the care home sector following the 1993 community care reforms | 124 |
| 2.1.3 | Benign financial environment 2003–2009 | 124 |
| 2.1.4 | Why did outsourcing of social care become mainstream so rapidly | 125 |
| 2.1.5 | Austerity 2010– | 125 |
| 2.1.6 | ‘End to austerity’ overtaken by Covid | 126 |
| 2.2 | The English social care reforms | 126 |
| 2.2.1 | The social care ‘fix’ announced in September 2021 | 126 |
| 2.2.2 | Further details of the social care reforms | 127 |
| 2.2.3 | Risks to operators and investors from the twin policies of FCC and 18(3) | 128 |
| | 2.2.3.1 Other evidence of the additional funding requirement to establish FCC at a realistic level | 129 |
| | 2.2.3.2 Potential impact of the social care reforms on aggregate care home revenues | 130 |
| | 2.2.3.3 Strategic choices open to care home operators | 131 |
| 2.2.4 | What would mitigate risks to the older people’s care home sector? | 134 |
| 2.2.5 | How much more public money is required to end the ‘crisis’ in social care? | 134 |
| 2.3 | Political consensus on social care - other than funding issues | 134 |
| 2.3.1 | No ideological threat to the existence of the private care home sector | 135 |
| 2.4 | Other legislation and policy issues | 136 |
| 2.4.1 | Partnership and integration between health and social services | 136 |
| | 2.4.1.1 Integration moves to the top of the health and social care policy agenda | 136 |
| | 2.4.1.2 History – removal of legal barriers to integration | 137 |
| | 2.4.1.3 Scotland | 138 |
| 2.4.2 | Care Trusts | 138 |
| 2.4.3 | Delayed transfers of care | 138 |
| 2.4.4 | Personalisation and self-directed care: direct payments and personal budgets | 141 |
| 2.4.5 | Intermediate care | 143 |
| 2.4.6 | NHS Funded Nursing Care (NHS FNC) | 145 |
| | 2.4.6.1 History and further information on NHS-funded nursing care | 145 |
| | 2.4.6.2 Scotland NHS-funded nursing care | 147 |
| | 2.4.6.3 Wales NHS-funded nursing care | 147 |

| | | |
|-----------|---|-----|
| 2.4.6.4 | Northern Ireland NHS-funded nursing care | 147 |
| 2.4.7 | Asset thresholds and capital disregards used for means testing | 147 |
| 2.4.8 | Transfer of preserved rights and residential allowance funding to local authorities | 148 |
| 2.4.9 | Charges for publicly funded non-residential care services | 148 |
| 2.4.10 | Eligibility rules for publicly funded care services | 149 |
| 2.4.10.1 | Former FACS framework | 149 |
| 2.4.10.2 | National eligibility threshold | 149 |
| 2.4.11 | NHS continuing healthcare eligibility criteria | 149 |
| 2.4.12 | The Care Act 2014 | 150 |
| 2.4.12.1 | General responsibilities of local authorities | 151 |
| 2.4.12.2 | Market shaping – duty to promote diversity and quality and to ensure market sustainability | 151 |
| 2.4.12.3 | Assessment of need and eligibility criteria | 152 |
| 2.4.12.4 | Duty of local authorities to meet needs for care and support | 152 |
| 2.4.12.5 | Duty to prepare personal budgets | 153 |
| 2.4.12.6 | Expression of preference for particular accommodation (replaces former Directive on Choice) | 153 |
| 2.4.12.7 | ‘First party’ or ‘own resource’ top-ups to be permissible | 153 |
| 2.4.12.8 | Deferred payments | 154 |
| 2.4.12.9 | Provider failure, market oversight and light touch financial regulation | 154 |
| 2.4.12.10 | Transfer of assets to avoid charges | 155 |
| 2.4.12.11 | Contracting out of core local authority functions | 155 |
| 2.4.13 | National Service Framework for Older People and the single assessment process | 156 |
| 2.4.14 | Best Value and continuing withdrawal of councils from in-house provision | 156 |
| 2.4.15 | Human rights protection for residents of independent sector care homes | 157 |
| 2.4.16 | Competition law, monopoly situations and abuse of dominant position | 158 |
| 2.4.17 | Government policies affecting payroll costs | 172 |
| 2.4.17.1 | National Minimum/Living Wage | 172 |
| 2.4.17.2 | Statutory minimum holiday pay | 173 |
| 2.4.17.3 | Compulsory employers pension contributions | 173 |
| 2.4.17.4 | Apprenticeship levy | 174 |
| 2.4.17.5 | VAT staff hire concession | 175 |
| 2.4.18 | Central and local government funding of personal social services | 175 |
| 2.4.19 | Deferred payments | 175 |
| 2.4.20 | Rules relating to ‘topping-up’ of council-paid care home fees | 175 |

| | | |
|----------|--|-----|
| 2.4.21 | Absence (to date) of government policy on ‘fair fees’ and judicial reviews of councils’ fees | 176 |
| 2.4.21.1 | The Care Act’s position on fair fees | 176 |
| 2.4.21.2 | Historical context – limited effectiveness of care home lobbying of central government | 176 |
| 2.4.21.3 | Judicial reviews | 177 |
| 2.4.21.4 | Prospects for public-paid fee rates | 179 |
| 2.4.22 | Central and regional initiatives to promote procurement efficiency | 179 |
| 2.4.23 | Weakness of care sector trade bodies | 180 |
| 2.4.24 | Quality measures and consumer information | 181 |
| 2.4.25 | Competition and Markets Authority enquiry into care homes | 181 |
| 2.4.25.1 | Consumer protection | 182 |
| 2.4.25.2 | Public funding | 183 |
| 2.4.25.3 | The government’s response to the CMA report | 184 |
| 2.5 | Regulation of social services | 184 |
| 2.5.1 | Underpinning legislation in England – Health and Social Care Act 2008 | 184 |
| 2.5.1.1 | Fundamental Standards | 184 |
| 2.5.2 | Scotland, Wales and Northern Ireland | 186 |
| 2.5.2.1 | Scotland | 186 |
| 2.5.2.2 | Wales | 186 |
| 2.5.2.3 | Northern Ireland | 186 |
| 2.5.3 | Scope of regulation – services covered and not covered in England | 186 |
| 2.5.4 | CQC’s new strategy for regulation in England – fewer inspections and more focus on data | 187 |
| 2.5.5 | CQC to assess local authorities’ delivery of adult social care duties | 188 |
| 2.5.6 | History of the last decade and a half: deregulation accompanied by tougher enforcement | 189 |
| 2.5.6.1 | Government volte-face at high point of prescriptive regulation in 2002 | 189 |
| 2.5.6.2 | Replacement of National Minimum Standards with less prescriptive Essential Standards | 189 |
| 2.5.6.3 | Essential Standards of Quality and Safety 2010-2014 – abandoned following mid-Staffordshire | 190 |
| 2.5.6.4 | Fundamental Standards of Quality and Safety 2014– | 191 |
| 2.5.7 | Risks to providers from breaches of regulations and Fundamental Standards | 191 |
| 2.5.7.1 | Stronger enforcement powers | 191 |
| 2.6 | Profile of regulators | 192 |
| 2.7 | History of the long-term care funding issue in England | 192 |

| | | |
|-----------|--|------------|
| 3. | PAYORS | 193 |
| 3.1 | Customer profiles | 193 |
| 3.1.1 | High needs | 194 |
| 3.1.2 | Socio-economic profile | 195 |
| 3.1.3 | Length of stay and expectation of life | 195 |
| 3.2 | Payor trends | 196 |
| 3.2.1 | Historic trend away from council funding towards private pay | 196 |
| 3.2.2 | Prospective reversal of payor trends under the English social care reforms | 196 |
| 3.3 | Public sources of finance - local authorities | 197 |
| 3.3.1 | Financial environment | 199 |
| 3.3.2 | Local authority resources | 199 |
| 3.3.3 | Local authority spending on adult social care, from feast to famine – then Covid | 200 |
| 3.3.3.1 | Better Care Fund and Improved Better Care Fund (iBCF) | 201 |
| 3.3.3.2 | Social care precepts | 201 |
| 3.3.3.3 | NHS FNC revisions | 201 |
| 3.3.3.4 | Summary of recent government funding decisions on adult social care in England | 202 |
| 3.3.3.5 | Future prospects for council funding of care homes for older people | 204 |
| 3.3.4 | Commissioning dynamics | 204 |
| 3.3.4.1 | Monopsony power of local authorities | 204 |
| 3.3.4.2 | Fragmentation of local commissioning | 206 |
| 3.3.4.3 | Tariff prices rather than fees based on dependency | 207 |
| 3.3.4.4 | Spot purchasing rather than block purchasing or tenders | 207 |
| 3.3.4.5 | Market shaping | 207 |
| 3.4 | Public sources of finance – the NHS | 208 |
| 3.4.1 | Trends in NHS funded care home placements | 208 |
| 3.4.2 | Possible future ‘sub-acute’ purchasing by the NHS from the independent sector | 210 |
| 3.4.3 | Changes in NHS Funded Nursing Care (NHS FNC) rates | 210 |
| 3.5 | Private payers | 211 |
| 3.5.1 | Asymmetry of market power in favour of providers | 211 |
| 3.5.2 | Private pay market size | 211 |
| 3.5.3 | Recent private pay market trends | 211 |
| 3.5.4 | Private pay market prospects | 211 |
| 3.5.5 | Local variations in private pay penetration | 212 |
| 3.5.6 | Differentials between publicly paid and privately paid fees | 212 |

| | | |
|-----------|--|------------|
| 3.5.6.1 | Evidence of the scale of cross-subsidisation | 213 |
| 3.5.6.1 | More recent evidence of differentials between private pay and council paid fee rates | 214 |
| 3.6 | Long-term care insurance and other LTC financial products | 216 |
| 3.6.1 | History | 217 |
| 3.6.2 | Insurance industry response to Dilnot | 217 |
| 3.6.3 | Absence of intermediation in privately funded older care services | 218 |
| 3.6.4 | Immediate care plans | 218 |
| 3.6.5 | The demise of pre-funded LTC insurance | 219 |
| 3.6.6 | LTC insurance market size in the UK | 220 |
| 3.6.7 | Equity release | 220 |
| 3.6.8 | Pensions | 221 |
| 4. | MAJOR STRUCTURE | 223 |
| 4.1 | Market concentration | 223 |
| 4.2 | Group penetration | 223 |
| 4.2.1 | Market leaders by value | 223 |
| 4.2.2 | Market leaders by capacity | 226 |
| 4.2.2.1 | Top ten deconsolidation | 226 |
| 4.2.2.2 | Middle market consolidation | 226 |
| 4.2.3 | Small business segment | 228 |
| 4.3 | Segmentation by provider sector, registration type and size of home | 228 |
| 4.4 | Exits and entries | 233 |
| 4.4.1 | Exits (including business failures and recapitalisations) | 233 |
| 4.4.1.1 | Mid-to-large-scale company exits (including business failures and recapitalisations) | 233 |
| 4.4.1.2 | Home-level exits | 235 |
| 4.4.2 | Entries | 236 |
| 4.4.2.1 | Mid-to-large-scale company entries | 236 |
| 4.4.2.2 | Home-level entries | 237 |
| 4.4.3 | Barriers to entry | 237 |
| 4.5 | Economies of scale and scope | 238 |
| 4.5.1 | At the home level | 238 |
| 4.5.2 | At the ownership level – cost structures of corporate and owner-managed homes | 238 |
| 4.6 | Brand value | 240 |
| 4.7 | Sources of capital | 241 |
| 4.8 | Scale, age and quality of stock | 241 |

| | | |
|-----------|---|------------|
| 4.8.1 | Slow trend towards increased scale | 241 |
| 4.8.2 | Age and quality of UK care home stock | 242 |
| 4.8.2.1 | Age and purpose-built status | 242 |
| 4.8.2.2 | Single rooms and en suite facilities | 243 |
| 4.9 | Pace of modernisation | 244 |
| 5. | INVESTORS | 245 |
| 5.1 | Returns sought by investors | 245 |
| 5.2 | Sources of capital for investment | 245 |
| 5.2.1 | Debt | 246 |
| 5.2.1.1 | Bank debt | 246 |
| 5.2.1.2 | Bonds | 246 |
| 5.2.1.3 | Islamic funding | 246 |
| 5.2.2 | Leased assets | 247 |
| 5.2.2.1 | Penetration of leasing | 247 |
| 5.2.2.2 | US REITs | 248 |
| 5.2.2.3 | European property investors | 250 |
| 5.2.2.4 | UK financial institutions | 250 |
| 5.2.3 | Private equity | 252 |
| 5.3 | Transactions and exit multiples | 254 |
| 5.3.1 | Pre-global credit crisis | 254 |
| 5.3.2 | Post-global credit crisis | 254 |
| 5.3.3 | Recent transactions for which operating profit multiples are not available | 255 |
| 6. | MARKET POTENTIAL | 263 |
| 6.1 | Alternative care home models | 263 |
| 6.2 | Digital technologies | 264 |
| | APPENDIX 1. GLOSSARY | 267 |
| | APPENDIX 2. KEY LEGISLATION | 271 |
| | APPENDIX 3. REGULATORS | 273 |
| | APPENDIX 4. TRADE BODIES AND ASSOCIATIONS | 275 |
| | APPENDIX 5. HISTORY OF THE LONG-TERM CARE FUNDING ISSUE IN ENGLAND | 279 |
| | APPENDIX 6. FINAL CONCLUSIONS OF THE COMPETITION AND MARKETS AUTHORITY INVESTIGATION INTO CARE HOMES (INCLUDING NURSING HOMES) FOR THE ELDERLY | 285 |
| | APPENDIX 7. MAJOR PROVIDERS OF CARE HOMES FOR OLDER PEOPLE | 289 |
| | APPENDIX 8. FINANCIAL APPENDIX | 315 |

Target Fund Managers

Investing in care

Target set out in 2010 to bring new longer term money to the sector to invest in modern purpose built care homes complete with en-suite wet rooms. 12 years later the same team are delivering on our commitments, and working long term with many operators

- Working with Quality Operators in the Care sector
- Raising the standards of Care Home accommodation across the UK
- Investing in and acquiring modern Care Homes (including sale & leaseback transactions)
- Site acquisition and development of new, purpose built Care Homes
- Long Established stable management team



Contact the Investment Team at
info@targetfundmanagers.com
WWW.TARGETFUNDMANAGERS.COM



LIST OF TABLES

| | | |
|------------|---|----|
| Table 1.1 | Volume and annualised value of care services for older people (65+) in residential settings by provider sector, UK, 31 December 2021 | 20 |
| Table 1.2 | Capacity (beds) for care in residential settings for older people (65+) by provider sector and type of care (nursing or residential), UK, 1970–2021 | 38 |
| Table 1.3 | Market value by provider sector, nursing, residential and long stay hospital care of older people and people with dementia (65+), £m, UK annualised, at 31 March 1990–2020 | 41 |
| Table 1.4 | Sources of finance for residents of independent sector (for-profit and not-for-profit) care homes for older people and dementia (65+), £m, UK, 2007–2021 | 43 |
| Table 1.5 | Care homes for older people and people with dementia, independent sector (for-profit and non-profit) registered homes, bed capacity and mean capacity per home, UK, 2005–2021 | 45 |
| Table 1.6 | Age-specific usage rate for care in residential settings: percentage of people aged 65+ living in residential settings across all provider sectors including long-stay NHS, UK, March 2020 (pre-Covid) | 48 |
| Table 1.7 | Trends in older population numbers by ten-year age bands, UK, 1901–2111 | 49 |
| Table 1.8 | Gross weekly income distribution of older households, Great Britain, 2019/2020 | 57 |
| Table 1.9 | Owner occupation penetration (owned outright and buying with mortgage) by age of household head, %, England, 2003/04–2019/20 | 58 |
| Table 1.10 | Volume of demand (occupied beds) and capacity (registered beds) for older people and people with dementia (65+) in residential settings by provider sector, 000s, UK, 1990–2021 | 63 |
| Table 1.11 | Four Seasons Health Care - Reconciliation of occupancy rates measured by reference to registered and available or 'effective' beds, calendar 2018 | 73 |
| Table 1.12 | Regional estimates of occupancy rates (occupied beds as % registered beds), in independent sector (for-profit and not-for-profit) care homes for older people and dementia, English standard regions, at December 2021 | 75 |
| Table 1.13 | Components of net change in bed capacity in registered homes (independent and public sector) for older people and dementia (65+), UK 2008–December 2021 | 77 |
| Table 1.14 | Components of net change in numbers of registered homes (independent and public sector) for older people and dementia (65+), UK, 2008–December 2021 | 78 |
| Table 1.15 | Index of supply of care home capacity for older people and dementia (65+) by standard region, 2020 all sectors, UK = 1.00 | 79 |
| Table 1.16 | Capacity changes by region, independent sector (for-profit and not-for-profit) care homes for older people and dementia (65+), between March 2020 and December 2021 | 79 |
| Table 1.17 | Estimated full time equivalent staff and staff costs in independent sector care homes for older people and dementia (65+) excluding regional and head office staff, UK, 2020 (at pre-Covid staffing levels and 2020/21 pay rates) | 81 |

| | | |
|------------|---|-----|
| Table 1.18 | Estimated market value of supply of agency staff to registered care homes, UK, 2020 (pre-Covid at 2020/21 pay rates) | 81 |
| Table 1.19 | Pro forma cost structures for nursing care, residential care and residential care (dementia) in an efficient, larger scale (50 bed plus) for-profit care home for older people with an 'intermediate' specification of 50m ² per resident including communal areas, England, 2021/22 (£ per resident per week) counterfactual, at 2021/22 pay rates and assuming no additional coronavirus costs | 89 |
| Table 1.20 | Rostered staff benchmarks (hours per resident per week) for UK care homes of an efficient scale (25+ beds) for older people, hours per resident per week 2002–2020 (excludes management, administration and reception staff) | 96 |
| Table 1.21 | Average weekly fees – for-profit homes for older people and dementia (65+), (public and private payers combined), UK 1997/98–2021/22 | 101 |
| Table 1.22 | Average weekly fees – for-profit homes for older people and dementia (65+), by region, (public and private payers combined), UK, 2021/22 | 102 |
| Table 1.23 | Average occupancy rate reported in statutory accounts by major providers of care homes for older people and dementia | 106 |
| Table 1.24 | Latest available full year financial results of the largest for-profit operators of care homes for older people, £000s, UK, 2019/20 | 114 |
| Table 1.25 | Fundamental Standards – performance of care homes for older people and dementia (65+), by provider sector, England, snapshot at December 2021 | 116 |
| Table 1.26 | Overall satisfaction of local authority funded social care service users by type of service received, England, 2019/20 | 119 |
| Table 2.1 | Selected unit cost differentials: outsourced versus local authority in-house provision of social care services, gross of SSMSS council overheads, England, 2020/21 | 125 |
| Table 2.2 | Indicative cost of implementing FCC (Fair Cost of Care) – a comparison between government funding allocations for 2023/24 and funding requirements as calculated by LaingBuisson's Care Cost Benchmarks model, England at 2021/22 prices | 128 |
| Table 2.3 | Direct payments and self-directed care, people using services commissioned by English councils during 2020/21 | 142 |
| Table 2.4a | Concentration of local markets, share of capacity held by leading four providers of nursing homes for older people (65+) and dementia, UK, December 2021 | 159 |
| Table 2.4b | Concentration of local markets, share of capacity held by leading four providers of residential homes for older people (65+) and dementia, UK, December 2021 | 165 |
| Table 2.5 | National Minimum Wage (NMW) and National Living Wage (NLW) rates, 1999–2024 | 174 |
| Table 3.1a | Age and gender profile of the care home population, older or physically disabled people, UK, 2006 | 193 |
| Table 3.1b | Gender and marital status profile of the care home population aged 65+, England and Wales, 2011 | 193 |
| Table 3.2 | Census of Bupa care home residents, prevalence of some conditions UK, 2003–2012 | 194 |

| | | |
|-----------|---|-----|
| Table 3.3 | Estimated private pay percentage of residents in independent sector care homes for older people and dementia (65+), by region, UK, 2021 | 212 |
| Table 3.4 | Evidence of fee differentials between private payers and council funded care home residents in homes for older people and dementia (65+) owned by a sample of care home groups operating in 12 English counties in 2015 | 214 |
| Table 3.5 | Average fee levels and price differentials by region, CMA research, UK, 2016 | 215 |
| Table 3.6 | Average fee levels and price differentials by proportion of council funded residents, CMA research, UK, 2016 | 215 |
| Table 4.1 | Market concentration (share controlled by the four largest providers) in different segments of the UK independent health and social care services sector | 223 |
| Table 4.2 | Top ten market leaders by value of care home services for older people, UK, 2020–21 | 224 |
| Table 4.3 | Top 24 (by capacity) independent sector (for-profit and not-for-profit) providers of care homes older people and dementia (65+), UK, December 2021 | 225 |
| Table 4.4 | Segmentation of capacity by provider sector (for-profit and not-for-profit) and group penetration of each segment, care homes for older people and dementia (65+), UK, 31 March 2021 | 229 |
| Table 4.5 | Segmentation of registered care home capacity for older people and dementia (65+) by provider category, registration type and size of home, UK, 31 December 2021 | 230 |
| Table 5.1 | Aggregate turnover and lease rental payments reported by care home groups for older people and dementia (65+) which have reported full accounts to Companies House, by accounts year end | 248 |
| Table 5.2 | Private equity (broadly defined) owners of older people’s care home groups, snapshot as at December 2021 | 253 |
| Table 5.3 | Health and care service deals with an enterprise value of £50 million plus, 2005–2022 | 256 |

LIST OF FIGURES

| | | |
|-------------|---|----|
| Figure ES1 | Bed capacity gains and losses from new registrations, closures and other net changes including extensions and reductions in registered beds in existing homes – all independent and public sector care homes for older people and dementia (65+), UK 1990–December 2021 | 1 |
| Figure ES2 | Volume of demand for care in all (independent and statutory) residential settings for older people and dementia (65+), UK actuals 1990–2021 and projections to 2031 | 3 |
| Figure ES3 | Occupants of housing with care units and occupied beds in residential settings for older people and dementia, UK 1990–2021 | 4 |
| Figure ES4 | Trends in market volume by payor type in independent sector (for-profit and not-for-profit) care homes for older people and dementia (65+), UK 2007–2021 | 5 |
| Figure ES5 | Share of bed capacity owned or leased by a) the ten largest independent sector care home groups and b) all groups with three or more homes - care homes for older people and dementia (65+), UK 1992–2020 | 6 |
| Figure ES6 | Underlying profitability of major care home groups for older people, EBITDAR as a percentage of revenue, 2006–2020 | 7 |
| Figure 1.1 | Annualised value of care services for older people (65+) in residential settings by provider sector, £m, UK, 31 December 2021 | 21 |
| Figure 1.2a | Segmentation of independent sector market value into frail older and dementia clients, £m, UK, year ending December 31 2021 | 22 |
| Figure 1.2b | Numbers and annual costs of older people (65+) with three different definitions of dementia in care homes and NHS long-stay residential settings, all sectors combined, UK, year ending December 31 2021 | 23 |
| Figure 1.3 | Market share by source of funding in volume terms, residents in independent sector (for-profit and not-for-profit) care homes for older people and dementia (65+), UK, December 2021 | 35 |
| Figure 1.4 | Market share by source of funding in value terms, annual revenue of independent sector (for-profit and not-for-profit) care homes for older people and dementia (65+), UK, December 2021 | 35 |
| Figure 1.5 | Capacity (beds) for care in residential settings for older people (65+) by provider sector and type of care (nursing or residential) and total occupied beds, UK, 1967–2021 | 37 |
| Figure 1.6 | Trends in addressable market value of care in residential settings by provider sector, care of older people and people with dementia (65+), UK annualised value, 2005–2021 | 40 |
| Figure 1.7 | Trends in market value by payor group (self-pay and state-pay), nursing, residential and long-stay hospital care of older people and people with dementia (65+), £m, UK annualised, at March, 2007–2021 | 42 |

| | | |
|-------------|--|----|
| Figure 1.8 | Trends in market volume by payor type, nursing, residential and long-stay hospital care of older people and people with dementia (65+), £m, UK annualised, at March 2007–2021 | 42 |
| Figure 1.9 | Share of council-supported residents in receipt of third-party top-ups, for-profit and not-for-profit care homes for older people and dementia (65+), three-year moving annual averages, UK, 2007–2021 | 44 |
| Figure 1.10 | Volume of demand for care in residential settings for older people and dementia (65+), UK actuals 1990–2021 and projections to 2031 | 46 |
| Figure 1.11 | Alternative approaches to projecting demand for care homes for older people and dementia (65+) in residential settings: a) Raw index of population ageing; b) Adjusted index of population ageing and c) Index of deaths among people aged 80 and over, UK indices 1981 = 1.00 (Covid dip ignored) | 50 |
| Figure 1.12 | Occupants of housing with care units and occupied beds in residential settings for older people and dementia, UK, 1990–2021 | 51 |
| Figure 1.13 | Years spent in poor health from age 65, males and females, England, 2000–2002 up to 2017–2019 | 55 |
| Figure 1.14 | Regional variation in the average price of residential property sold in 2020/21, England and Wales | 60 |
| Figure 1.15 | Capacity trends by registration type (nursing homes versus residential homes) in independent sector (for-profit and not-for-profit) care homes for older people and dementia (65+), UK, 1988–2021 | 64 |
| Figure 1.16 | Demand trends (occupied beds) by type of care (nursing care versus residential care) in independent sector care homes for older people (65+) and dementia, UK, 1990–2021 | 64 |
| Figure 1.17 | Demand for residential care (occupied beds) by payor type in independent sector (for-profit and not-for-profit) care homes for older people and dementia (65+), UK, 2007–2021 | 65 |
| Figure 1.18 | Demand for nursing care (occupied beds) by payor type in independent sector (for-profit and not-for-profit) care homes for older people and dementia (65+), UK, 2007–2021 | 66 |
| Figure 1.19 | Older people (65+ including dementia) receiving state-paid long-term care services, all provider sectors, 1990–2021 | 66 |
| Figure 1.20 | Estimated breakdown of registered bed capacity into available (occupied + unoccupied) and unavailable registered capacity, independent sector (for-profit and not-for-profit) care homes for older people and dementia UK, March 2020 | 72 |
| Figure 1.21 | Bed capacity gains and losses from new registrations, closures and other net changes including extensions and reductions in registered beds in existing homes, all independent and public sector care homes for older people and dementia (65+), UK, 1990–December 2021 | 76 |
| Figure 1.22 | Long-term care recipients in institutions (other than hospitals) as % of total population aged 80+, OECD countries, 2017 | 80 |

| | | |
|-------------|--|-----|
| Figure 1.23 | Job vacancy rates among adult social care providers submitting data to Skills for Care, England, December 2021 (and earlier comparators) | 83 |
| Figure 1.24 | Average days lost due to sickness, all adult social care establishments submitting data to Skills for care, England, December 2021 (and pre-Covid comparators) | 84 |
| Figure 1.25 | Estimated number of jobs (filled posts) in adult social care, regulated independent sector establishments, trends to December 2021 | 85 |
| Figure 1.26 | Projections of working population by age and demographic driver index of demand for care homes for older people, UK, 2021–2031 | 87 |
| Figure 1.27 | Care home pay indices (managers and composite hourly paid staff for care homes for older people and dementia (65+)) and whole economy comparators (average earnings and National Minimum/Living Wage), UK, 2008-21 (2008 = 1.00) | 97 |
| Figure 1.28 | Average fees for care homes for older people and dementia, as reported by major groups, 2020/21 | 103 |
| Figure 1.29 | Council paid, private pay and average fees for residential care of older people and dementia (65+), England, 2021/22 (estimates) | 104 |
| Figure 1.30 | Council paid, private pay and average fees for nursing care of older people and dementia (65+), England, 2021/22 (estimates) | 104 |
| Figure 1.31 | Distribution of average private pay and council-paid fees for residential care of older (65+) people, by region and council, UK, 2021/22 | 105 |
| Figure 1.32 | Distribution of average private pay and council-paid fees for nursing care of older (65+) people, by region and council, UK 2021/22 | 105 |
| Figure 1.33 | Annual profit (EBITDARM) per bed, securitised care home portfolios, UK, 2000–2015 | 113 |
| Figure 1.34 | Underlying profitability of major care home groups for older people, EBITDAR as a percentage of revenue, 2006–2020 | 115 |
| Figure 1.35 | Relationship between occupancy rates and ratings for care homes for older people and dementia, latest CQC inspection data, England, at December 2021 | 117 |
| Figure 1.36 | Percentage of care homes for older people and dementia rated Good or Outstanding by size of home (number of registered beds), all provider sectors, latest CQC ratings, England, at December 2021 | 118 |
| Figure 2.1 | Capacity for care in residential settings for older people and dementia (65+), by provider sector, UK 1967–2021 | 121 |
| Figure 2.2 | Trends in independent sector penetration of social care markets: Care homes for older people and dementia (65+); younger adults (18–64); and local authority funded home care (all ages), 1967–2021 | 123 |
| Figure 2.3 | Indicative percentage gain/loss of revenue (regional averages) for care homes for older people flowing from a combination of FCC and 18(3) at a 50% take-up rate | 131 |
| Figure 2.4 | Delayed transfers of care, patients in NHS beds, England, 1997–2020 | 139 |
| Figure 2.5 | Delayed discharges by length of delay, acute and community NHS beds, Scotland 2000–2021 | 140 |
| Figure 2.6 | Delayed transfers of care, NHS patients, Wales, 2003–2020 | 140 |
| Figure 2.7 | NHS Funded Nursing Care (NHS FNC) standard weekly rates, England, for years ending 31 March 2001–2021/22 | 146 |

| | | |
|------------|--|-----|
| Figure 3.1 | Trends in market volume by payor type in independent sector (for-profit and not-for-profit) care homes for older people and dementia (65+), UK, 2007–2021 | 197 |
| Figure 3.2 | Gross current expenditure on adult social care by local authorities, in cash and real terms, England, 2005/06–2020/21 | 200 |
| Figure 3.3 | Council-paid weekly fee rates for outsourced residential care of older people (65+) compared with LaingBuisson’s <i>Care Cost Benchmarks</i> , England, 2004/05–2020/21 | 205 |
| Figure 3.4 | Individuals receiving NHS-funded continuing healthcare, estimates, UK, 2003–2021 | 209 |
| Figure 3.5 | Distribution of exposure to ‘pure’ council funding (no top-up) among independent sector care homes for older people and dementia (65+), UK average, 2010–2017 | 213 |
| Figure 3.6 | Price differentials by care home, CMA research, UK, 2016 | 216 |
| Figure 4.1 | Share of bed capacity owned or leased by a) the ten largest independent sector care home groups and b) all groups ¹ with three or more homes – care homes for older people and dementia (65+), UK 1992–2021 | 227 |
| Figure 4.2 | Trends in average size (registered beds) among care homes for older people and dementia (65+). UK, 2005–2020 | 241 |
| Figure 4.3 | Average home size by provider sector (for-profit or not-for-profit, with or without nursing and whether group owned) care homes for older people and dementia (65+), UK, 2020 | 242 |
| Figure 4.4 | Age of UK independent sector care home stock for older people and people with dementia (65+), capacity open at December 2020 according to date of first registration (<1980–2015+) | 243 |
| Figure 4.5 | Percentage of bed spaces which a) are in single rooms and b) have en suite WCs, full bathrooms or wet rooms, independent sector care homes for older people and dementia (65+), UK, 2000–2020 | 244 |