Impact of the COVID-19 pandemic on elderly care home fees

Exploring how quoted elderly care home fees have changed year on year

Carterwood analysis of quoted fees across 9,000+ homes

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Background

Over the last eighteen months, Carterwood has undertaken a comprehensive fee research exercise across the elderly care home sector in Great Britain. In Q2 2020 we collected self-funded quoted fee rates for over 9,000 homes, enabling us to shine a light on how fee rates change up and down Great Britain, as well as how the characteristics of homes correlate with the fees they quote.

We updated this dataset during Q4 2020 and have done so again in Q2 2021. This latest dataset presents the opportunity to examine how self-funded fees have changed year on year, across an unprecedented sample size and at a time of unbelievable upheaval across the sector.

The COVID-19 pandemic is still a defining factor of our everyday lives and our organisational decision-making. That said, the vaccine rollout has been a tremendous success and mortality rates in elderly care homes have been stable around the five-year average for several months.

These improved circumstances have led to increased referrals and a partial recovery in occupancy rates back towards pre-pandemic levels, even if we are still some months away from full recovery.

Despite this rosier picture, there remain significant structural pressures on the sector. Staffing shortages are severe, and costs involved in delivering care have irreversibly increased due to the requirement for more stringent infection control procedures than existed pre-pandemic.

Against this backdrop, the robustness of the self-funding market remains central to the long-term viability of the sector, given the consistently disappointing fee rates on offer from all but a handful of local authorities. As we touch on in the next section, the current proposals for a Health and Social Care Levy will not resolve this.

We believe that now more than ever, access to accurate self-funded fee data is essential in helping elderly care home operators to benchmark their fees and make their organisations more financially resilient as we build back from the travails of the last eighteen months.

This new report reveals how elderly care home operators have updated their quoted fees for a new financial year across the entire market, compared with 12 months before. We've also explored which profile of home has seen the greatest change in quoted fees, as well as examined the impact of COVID-19 mortality rates at an individual home level on changes in quoted fees.

To discuss any aspect of this research, you can get in touch with us on 01454 838038 or info@carterwood.co.uk.

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A note on 'funding reform' – the Health and Social Care Levy

On 7 September 2021, the government announced plans for the introduction of a Health and Social Care Levy, which is intended to generate £36bn in additional funding over the next three years from an increase to National Insurance contributions of 1.25%.

Of this £36bn total, just £5.4bn is earmarked for social care over the three-year period, with the majority of the funding set to be used to help the NHS recover from the effects of the COVID-19 pandemic.

In the elderly care home sector, funding and fees are inextricably linked. For decades local authorities have been unable to fund care home placements at rates that are viable for operators. This has led to a situation where many operators care for a mixture of residents, with some funded by the local authority, and some funding their own care and accommodation.

Meaningful funding reform has the potential to free local authorities from their fiscal shackles and incentivise increased provision of care for those they fund, by providing higher fee rates. However, these plans do not have the ambition required to give the elderly care home sector the boost it needs.

In 2020 the Health and Social Care Committee found that an annual increase of £3.9bn per year was required to "meet demographic changes and planned increases in the National Living Wage. However, such an increase alone will not address shortfalls in the quality of care currently provided, reverse the decline in access or stop the market retreating to providing only for self-payers."

The allocation of funding announced on 7th September represents just £1.8bn per year in additional funding. It is insufficient.

We do not believe that these reforms fundamentally alter the fee landscape in the UK. The self-funded market will remain critical to our ability to deliver care to the frailest in our communities, and the cross-subsidy between local authority funded residents and self-funded residents will continue.

In the short term, there remains an urgent need for an injection of funds in addition to the Health and Social Care Levy, in order to help operators to stabilise and recover from the financial pressures of the COVID-19 pandemic.

Key findings

Average self-funded fees are up:

£1,212 p/w
↑ 6.1%

Nursing care: annual increase of 6.1%

£916 p/w
↑ 6.6%

Personal care: annual increase of 6.6%

Homes registered since 2015 retain a significant premium over older homes

17% quoted fee premium for nursing care

25% quoted fee premium for personal care

COVID mortality rates have no discernible impact on quoted fee uplifts in England:

Correlation analysis indicates no direct relationship between fee rate and proportion of COVID deaths at the individual home level

CQC Outstanding homes maintain a high self-funded fee premium over those rated Good

15.2% quoted fee premium for nursing care

18.2% quoted fee premium for personal care

Marginal increase in local authority baseline fee rates

3.0%

2.8%

Average baseline fees have increased by 3% for nursing care and 2.8% for personal care

Quoted fees jump 6% in Q2 2021

Average quoted self-funded fees across Great Britain are up by 6.1% for nursing care and 6.6% for personal care. This increase exceeds historic annual uplifts, which have tended to sit around the 5% mark.

The table below shows our average quoted self-funded fee rates (Q2 2021) by country/region and the annual uplift from our dataset collected in Q2 2020:

Table 1: Average quoted fee rates by region and care category

Country/region	Nursing care self-funded fees		Personal care self-funded fees	
	Ave fee (per week)	% change	Ave fee (per week)	% change
East Midlands	£1,139	8.7%	£843	7.3%
East of England	£1,250	3.7%	£998	5.8%
London	£1,415	11.3%	£1,125	9.1%
North East England	£1,021	6.4%*	£789	7.6%
North West England	£1,040	-1.3%	£787	5.2%
Scotland	£1,176	10.0%	£1,016	10.0%
South East England	£1,405	4.9%	£1,053	4.6%
South West England	£1,247	4.3%	£983	6.7%
Wales	£1,059	6.5%	£791	6.3%
West Midlands	£1,204	6.3%	£861	5.6%
Yorkshire & The Humber	£1,110	8.9%	£795	8.4%
GB	£1,212	6.1%	£916	6.6%

Please note: Fee data coverage varied by country/region from 77% to 92%, with an overall average of 88%.

* The historic average nursing fee for the North East has been subject to slight revisions on a small number of services to ensure FNC is accounted for in nursing fees.

With average occupancy levels still sitting below pre-pandemic levels (87.5%) at between 80-85% across the sector, you might expect lower demand to suppress fee increases. However, we consider that a significantly higher cost-base (managing infection control processes, recruiting and retaining staff, among others) and inadequate short-term funding provision has left operators with no choice but to increase self-funded fee rates to try and offset financial pressures caused by the COVID-19 pandemic.

Surprisingly, the North West shows a year on year decrease in quoted fees for nursing care, with rates reducing by 1.3%. No other country/region has an increase of less than 3.7% (East of England – nursing care), let alone a decrease. However, with 436 homes in our sample in the North West, this outlier stands. We will monitor fees in this region in our next update.

The biggest fee increases are in London and Scotland, both showing double-digit uplifts

Interestingly, if we exclude London, the regions with the smallest year on year increases in nursing care fees (the South East, the South West, and the East of England) are the regions with the highest weekly fees. Each of these regions experienced quoted fee increases of less than 5%, while other areas of Great Britain had average uplifts of 6-10% for nursing care.

The biggest fee increases are in London (11.3% for nursing care) and Scotland (10% for both nursing and personal care).

Homes registered since 2015 retain a significant premium in quoted fees over older homes overall

Our last report revealed a significant premium in quoted fee rates for the newest homes in the market (registered since 2015). The newer the home, the higher the fee rate. This fundamental characteristic of the market has not changed when we look at the fees being quoted in Q2 2021.

We've compared the average self-funded fees being quoted by homes registered after 2015 with the averages for all other homes, broken down by region:

Table 2: Regional fee rates – comparison between 2015+ homes and all other homes

Country/region	Nursing care self-funded fees			Personal care self-funded fees		
	2015+ homes	All other homes	Difference	2015+ homes	All other homes	Difference
East Midlands	£1,242	£1,132	10%	£1,014	£830	22%
East of England	£1,443	£1,230	17%	£1,228	£981	25%
London	£1,798	£1,386	30%	£1,371	£1,108	24%
North East England	£1,152	£1,015	14%	£878	£785	12%
North West England	£1,177	£1,029	14%	£957	£776	23%
Scotland	£1,346	£1,164	16%	£1,265	£1,000	27%
South East England	£1,567	£1,383	13%	£1,336	£1,027	30%
South West England	£1,371	£1,237	11%	£1,172	£971	21%
Wales	£1,233	£1,063	16%	£944	£805	17%
West Midlands	£1,358	£1,183	15%	£1,081	£842	28%
Yorkshire & The Humber	£1,223	£1,100	11%	£908	£785	16%
ALL	£1,399	£1,197	17%	£1,129	£904	25%

Homes registered since 2015 retain a significant premium in quoted fees over older homes overall

Overall, homes registered since the start of 2015 charge a 17% and 25% premium for nursing care and personal care respectively, when compared to the rest of the dataset.

Newer homes clearly quote a greater premium for personal care than nursing care, which we consider likely to be driven by an ongoing shift in the mix of homes in this category, towards a greater proportion of personal care and personal care dementia registrations in the newest developments and a move away from nursing care to avoid staffing challenges and costs.

COVID-19 mortality rate at individual home level has had negligible impact on quoted self-funded fees

Using the CQC's publication of data showing death notifications involving COVID-19, received from individual care homes between 10 April 2020 and 31 March 2021 (released on 21 July 2021), we have analysed what impact this has had on quoted fee rates at the individual home level.

Year on year quoted self-funded fee rate change across elderly care home COVID-19 mortality rate bands

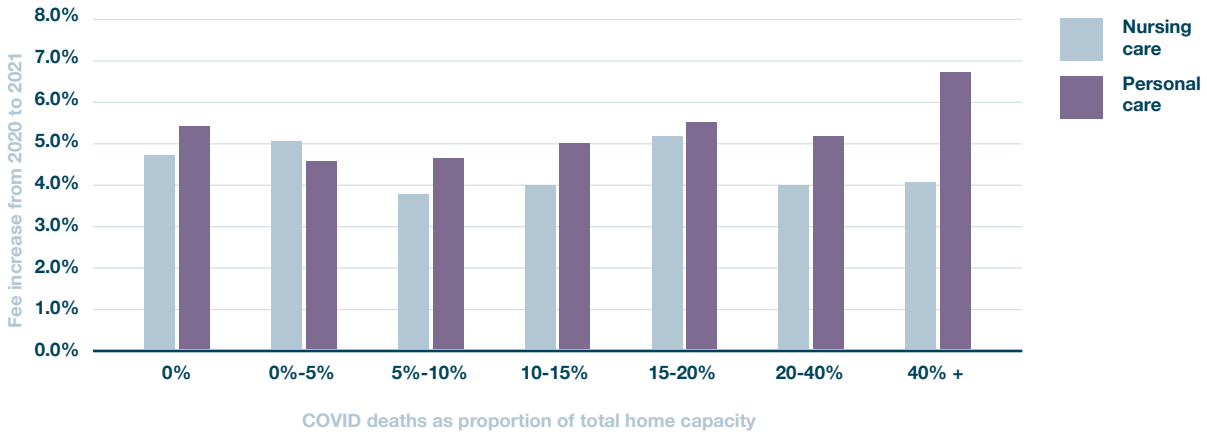

Figure 2 – Quoted fee rate increases across elderly care home COVID mortality rate bands in England

Figure 2 shows the average fee rate increases broken down by bands representing the proportion of elderly care home residents that died from causes relating to COVID-19 in individual homes.

This percentage is calculated by taking the total number of confirmed or suspected deaths from COVID-19 between 10 April 2020 and 31 March 2021, as reported by CQC, as a percentage of total registered beds in the home.

COVID-19 mortality rate at individual home level has had negligible impact on quoted self-funded fees

It would be natural to hypothesise that the greater the mortality rate of COVID-19 at an individual home, the greater the need would be to reduce fees to encourage a return to viable occupancy levels. Surprisingly, that logic does not play out in the data. Conversely, you might expect a home that had successfully navigated the pandemic with very low COVID-19 mortalities to be well positioned to increase its quoted fees.

However, our analysis indicates no direct relationship between fee rates and COVID-19 mortality rates at the individual home level. This may be because all homes (regardless of COVID-19 deaths) are still left with significant cost increases to operate with for years to come, so have had no choice but to increase fees.

Our analysis indicates no direct relationship between fee rates and COVID-19 mortality rates at the individual home level.

Homes with a 40%+ COVID-19 mortality rate had a larger than average increase in quoted fees for personal care, but these homes represent less than 1% of the total dataset, so are not statistically significant.

That outlier aside, year on year quoted fee increases are remarkably consistent across the bands of COVID-19 impact.

CQC Outstanding homes maintain a high self-funded fee premium

Elderly care homes with an Outstanding CQC rating maintain a significant premium over those rated Good

As in previous reports, we want to examine how quoted self-funded fee rates change when the CQC rating of the elderly care home is considered.

Average quoted self-funded fees by CQC ratings

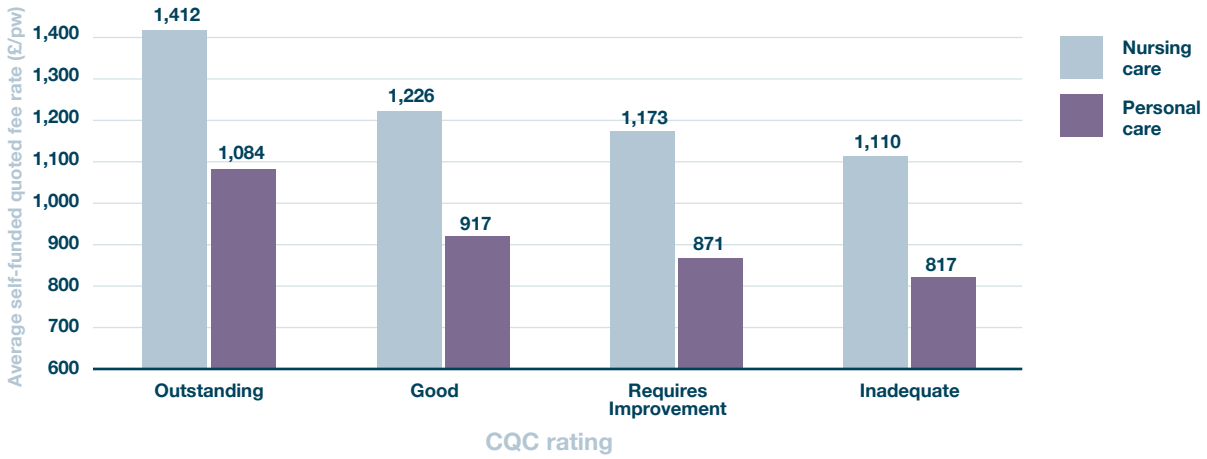

Figure 3 – Mean average self-funded fee rates for nursing and personal care by CQC rating (combined OP/DE, England only)

As you can see in Figure 3 above, the pattern discernible from our previous releases is once again apparent in our Q2 2021 dataset. Homes rated Outstanding by the CQC quote significantly higher rates than homes rated Good. For nursing care, the difference is 15.2%, and for personal care it's 18.2%.

The difference in quoted rates for homes rated Good over those rated Requires Improvement is slightly greater than in our previous update, but remains relatively small compared to the premium being quoted by Outstanding homes. For nursing care, the difference is 4.5%, and for personal care it's 5.3%.

Average year on year quoted fee increases for homes rated Outstanding are broadly similar to those rated Good or Requires Improvement

Despite maintaining a sizeable premium over homes rated Good, when we compare our dataset for 2021 against its 2020 equivalent, it's clear that the rate of fee increases across the CQC rating categories of Outstanding, Good, and Requires Improvement is broadly similar.

Rating	Nursing self-funded		Personal care self-funded	
	Ave fee (per week)	% change since Q2 2020	Ave fee (per week)	% change since Q2 2020
Outstanding	£1,412	3.2%	£1,084	5.2%
Good	£1,226	5.7%	£917	6.4%
Requires Improvement	£1,173	5.1%	£871	5.2%
Inadequate	£1,110	-0.4%	£817	0.6%
All *	£1,222	5.4%	£913	6.0%

Table 3 – Change in average quoted fee by CQC rating (Q2 2020 vs Q2 2021)

* this includes homes that have been rated by CQC and are in England

Our sample size for homes rated Requires Improvement (650 homes for nursing care / 1,336 for personal care) is robust, and suggests that this CQC rating has little impact on an operator's ability to increase quoted fees.

However, the incredibly small number of inadequate homes in this dataset (48 for nursing care / 116 for personal care), makes it very difficult to read too much into the imperceptible changes in quoted fees for homes in that category.

Baseline local authority fee rates rise marginally, with some outliers

In order to give our clients a balanced picture of fees across Great Britain's elderly care home markets, we collect and store the most comprehensive local authority baseline fee rate data available.

We do this at lower-tier local authority level, but are finding this data increasingly hard to accurately measure and benchmark, which we explain in more detail at the end of this section. To illustrate this, we contacted every local authority in Q2 2020 to request baseline fee rates for nursing and personal care. We received responses from 81%, of which 18% were not able to provide us with a baseline fee rate for nursing care or personal care.

Despite these challenges, it is still possible to provide a useful picture of how local authority fees vary around Great Britain, just bear in mind that our Q2 2021 dataset only covers 64% of local authorities.

Average local authority baseline fees have increased by 3% for nursing care and 2.8% for personal care

Average local authority baseline fee uplifts (Q2 2020 vs Q2 2021)

Figure 4 – Distribution of local authority baseline fee uplifts, where data is available for both Q2 2021 and Q2 2020

The graph above shows the distribution of annual fee uplifts across the local authorities in our dataset, for both personal care and nursing care.

- Nursing fees have increased slightly more on average, with the median uplift for nursing fees at 3% compared with 2.8% for personal care fees. 24 local authorities have increased baseline fees by over 5% for nursing care, as opposed to just 9 for personal care fees.

- 6.6% of local authorities saw a decrease in minimum baseline rates; this is in part due to some local authorities changing from a standard model with a set fee range to reviewing fees on a case-by-case basis, greatly expanding the range of fees offered.

No discernible correlation between local authority baseline fees and geography

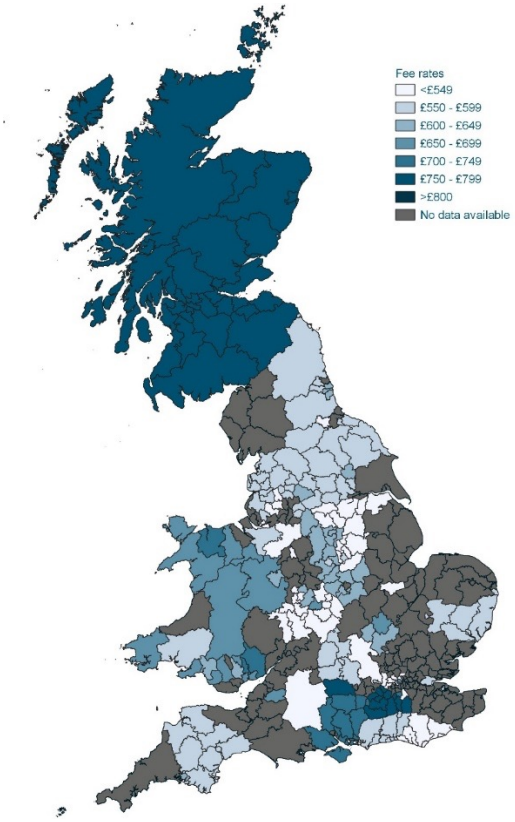

Figure 5 – Minimum baseline local authority fee rates at lower-tier authority level (nursing / older people)

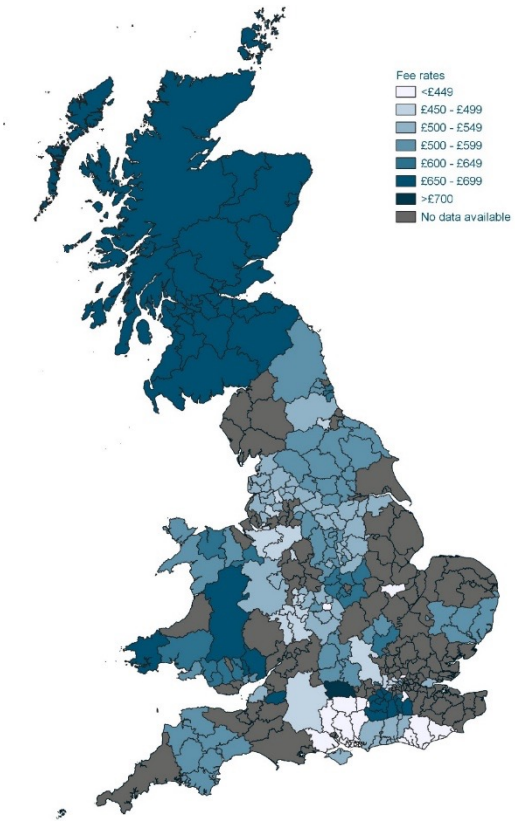

Figure 6 – Minimum baseline local authority fee rates at lower-tier authority level (personal care / older people)

Please note: We are showing the minimum rate for ease of reference in the maps above and not the maximum or 'average' (as the data is skewed and an average would be misleading in this case). Some fee rates are set at the county level (e.g. Surrey) or national level (e.g. Scotland), and where this is the case all lower tier authorities have the same fee rate. Greyed out areas indicate that we have received no data or no minimum fee rate has been set.

As you can see from Figures 5 and 6, there is no clear-cut pattern discernible from local authority level baseline fee rates. In previous reports, we have demonstrated a clear correlation between wealth profile and self-funded fee rates, but this is not the case at the local authority baseline fee rate level.

The number of local authorities that we have been unable to source fee data from is greater than previous years, as more and more authorities have moved away from a baseline fee rate setting structure to deciding fees on a case-by-case basis. We expect this trend to continue in future.

A word on data coverage

In order to give subscribers to our Carterwood Analytics platform a balanced picture of fees across Great Britain's elderly care home markets, we collect and store the most comprehensive local authority baseline fee rate data available.

We do this at lower-tier local authority level, but are finding this data increasingly hard to accurately measure and benchmark:

- Some local authorities now refuse to quote any fee range to us, despite a formal freedom of information request, with many local authorities reporting that they agree fee rates on a case-by-case basis subject to need.
- Many local authorities have grading systems, with fee uplifts for better CQC rating, en-suite provision, and other variables.
- The maximum fee rates quoted are now sometimes extraordinarily high, as local authorities often provide the ceiling rate for the very highest level of dependency, even though these rates are paid to a small fraction of the total number of service users supported.
- Local authority boundaries change regularly.

Despite these challenges, it is still possible to provide a useful picture of how local authority fees vary around Great Britain.

Future Carterwood private fee research

We believe that the dataset that underpins this research is the most comprehensive representation of Great Britain's elderly care home self-funded fee rates available.

Our goal is to provide those operating in this sector with accurate, reliable data that informs and improves decision-making, enabling them to adapt to the fast-changing world we find ourselves in.

To deliver on that, our self-funded fee data must remain current, so we plan to update our entire dataset and share our findings again in 2022.

If you would like us to explore any particular aspects of elderly care home fees across Great Britain in our next report, please get in touch and we'd be delighted to discuss it.

To discuss any aspect of this research, you can get in touch with us on 01454 838038 or info@carterwood.co.uk.

Methodology

- We have contacted 9,927 homes, successfully ascertaining the minimum and maximum self-funded fee rates quoted by care category from 9,192 homes. All enquiries were made after 31 March 2021 and completed by 1 July 2021.

- We have contacted all care homes caring for the elderly frail or older people with dementia. We have excluded all specialist homes and beds.

- All enquiries have been collected on a consistent basis using a telephone enquiry, except for 22 operators where information has been sourced directly from their own website and the information is sufficiently detailed to provide the minimum and maximum self-funded fee range.

- This study covers the following government office regions of England, along with Scotland and Wales:
  - East Midlands
  - East of England
  - London
  - North East England
  - North West England
  - South East England
  - South West England
  - West Midlands
  - Yorkshire & The Humber

  - We have used a simple arithmetic mean average between the minimum and maximum quoted rates to calculate the average fee rates. We have not weighted the fee rates by the size of home in our calculations.

  - All data is based upon quoted self-funded rates and no adjustment has been made for top-up charges, continuing healthcare (CHC) or local authority funding.

  - The data is based upon quoted self-funded rate data and the actual average self-funded fee rates and overall average rates will be lower in practice as fees can also vary markedly by service user, room type, funding source and over time.

  - FNCC is included in all data.

Key terms

- N – nursing care
- PC – personal care
- OP – older people – elderly frail
- DE – dementia
- FNCC – Free Nursing Care Contribution

Sources/data attributions

- Care home fee rate data – Carterwood, operator websites, Carterwood Analytics, direct enquiries
- Year of first registration – LaingBuisson
- Care home base data – Carterwood, CQC, Tomorrow's Guides
- COVID-19 death rates – CQC
- Local authority bed requirement - Carterwood, Tomorrow's Guides, Census 2011, ONS, LaingBuisson, operator websites, Glenigan, Planning Pipe, local authority planning websites
- Local authority freedom of information requests

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