INVESTMENT IN CARE HOMES

As the number of elderly people with high care needs in the UK is expected to increase significantly over the next 20 years, there will be a growing need for modern, fit-for-purpose care homes.

In a time of constrained public sector finances, the private sector will play an important role in updating existing healthcare infrastructure and delivering new care homes, delivering benefits to patients and long-term savings to the NHS.
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Executive summary

- The number of older people in the UK is increasing, and despite medical advances many of these people will require greater levels of care.

- There are several options for care available, including domiciliary care, acute care, housing with care and care homes.

- Care homes can provide high-quality care and significant patient benefits, while allowing hospitals to release beds and relieving pressure on the NHS.

- Ensuring that high-quality, fit-for-purpose care homes are the norm in residential care will reassure older people who may downsize, thus freeing up much-needed family housing.

- Care in a care home is delivered at a lower cost to the local authority than domiciliary care: it takes fewer than four hours of local authority-funded domiciliary care per day before it becomes more expensive to provide care at home than in a residential setting.

- Development of care homes faces a number of challenges, including a lack of understanding of future population growth in different areas and increasing competition from volume housebuilders as the residential markets recovers.

- More development would be spurred by better recognition of a local authority’s future population growth in its Local Plan, a preference for the development of care homes in certain areas, and allocation of specific sites for development of care homes near hospitals.

- Members of the BPF Healthcare Committee have contributed widely to the development of modern, fit-for-purpose care homes and it is crucial that this development continues.
Changing demographics

1. As the population ages, there will be an increasing number of people with high care needs. It is crucial there is sufficient fit-for-purpose stock to provide them with adequate support and prevent a crisis of social care for the elderly.

2. There are over 400,000 people living in care homes in the UK. From 2012 to 2032 the population of over 85s, the primary users of care homes, is expected to increase by 106%, and the number of older people with care needs is expected to increase by over 60% in the next 20 years.

3. As an increasing number of care homes are de-registered and the number of new registrations slows, the past year has seen a decrease of nearly 4,600 beds. Around 80,000 units in existing care homes are reaching obsolescence.

4. These changing demographics will create need for thousands of new units in care homes, and bring about new challenges around the availability, quality and cost of medical and social care delivered in such settings.

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Options for care

5. There are multiple options available to older people who require care, from domiciliary care at home, to care delivered in a nursing or care home.

6. New developments in the retirement housing or retirement village model play an essential role for people choosing to downsize by offering accessible homes to people, generally in their 70s, with greater levels of mobility and lower care needs. This also allows family housing to become available for a new generation of homeowners.

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1 Laing Buisson, 'Care Act could open floodgates to a new ‘top up’ market in care homes', April 2014
2 The King’s Fund, *Ageing Population*
3 Knight Frank, *UK Healthcare Development Opportunities 2014*, 2014
7. As people’s care needs increase, domiciliary care is often introduced as a first step, which will in many cases be funded through local authorities. However, underfunding of the social care system, coupled with significant cuts to public sector budgets, has left many local authorities struggling to keep pace with demand.

**Care and nursing homes**

8. As people’s care needs increase and they require over four hours of care per day, the option of care in a care or nursing home is available. These have separate bedrooms with communal living and dining areas, and provide care staff (including qualified nurses in nursing homes) on site.

**Role of care homes**

**Benefits to patients**

9. Substantially more people in care homes are happier with their care than those who have domiciliary care: a 2014 NHS survey showed that 73% of respondents in care homes were “extremely or very satisfied” with their quality of life, compared to 56% of respondents receiving domiciliary care⁴.

10. Care workers and patients have reported falling standards of domiciliary care⁵, linked to low-paid, zero-hours contracts⁶ and a rising number of 15 or 30 minute visits⁷. Conversely, patients in care homes benefit from the familiarity of staff, and also benefit from access to 24 hour care and nutritionally-balanced meals.
11. As well as benefiting their physical health, planned activities help ensure mental and social stimulation and avoid loneliness, which can have a devastating impact on older people.\(^8\)

**Local impact**

12. The residential care sector is an expanding sector, whose workforce increased by 15% between 2009 and 2012. Estimates suggest this will grow by 20-60% in the next 20 years,\(^9\) providing jobs to local communities.

13. Well-positioned care homes can help support families who balance work and care duties, revitalise town centres, and reinvigorate the local housing market as elderly people choose to downsize. These centres also often become community hubs.

14. Primary care services would also see fewer pressures as GPs would face reduced lengthy house calls.

**Approximately 1,000 patients a day remain in hospital needlessly and at a daily cost to the NHS of around £250 per person. An estimated 61% of these bed days are lost because elderly people are waiting for space in a care or residential home.**

**Savings to the NHS**

15. Frailer people receiving domiciliary care are more likely to experience multiple re-admissions to A&E,\(^10\) leading to increased costs to the NHS. There are also fewer occurrences of hospitalisation and falls than amongst elderly people living in private housing.

16. A 2014 investigation showed an average of 1,000 patients a day remain in hospital needlessly due to a lack of care available in the community,\(^11\) with

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\(^8\) The Guardian, "Loneliness twice as unhealthy as obesity for older people, study finds", February 2014


\(^10\) Nuffield Trust, "Care home residents least likely to be hospitalised", March 2012

\(^11\) National Health Executive, "Lack of social care forcing 1,000 patients a day to remain in hospital needlessly", November 2014
this figure reaching nearly 5,000 on certain days. As the cost to the NHS of a hospital bed is £250 a day, this suggests the NHS is spending around £34m a month looking after patients who no longer need to be in hospital. Age UK estimates that 61% of these bed days are lost because elderly people are waiting for space in a care or residential home. As well as increasing costs to the NHS, elderly patients are at increased risk of infection and further complications when spending time in hospital. This is particularly true of patients with dementia who, once in hospital, stay longer and see a worsening of their symptoms.

17. As well as increasing costs to the NHS, elderly patients are at increased risk of infection and further complications when spending time in hospital. This is particularly true of patients with dementia who, once in hospital, stay longer and see a worsening of their symptoms.

It takes fewer than four hours of local authority-funded domiciliary care per day before it becomes more expensive to provide care at home than in a residential setting.

Savings to local authorities

18. The disjointed nature of health and social care budgets has meant that acute units are not incentivised to release patients into step-down or nursing care settings. It is encouraging that the integration of services and budgets is high on the policy agenda for the new Government, as this will encourage more people who have completed their acute care but are not yet ready to move home to be discharged into a more suitable setting.

19. Although domiciliary care has been widely accepted in the UK as the most cost-effective means to the public purse of providing care to elderly people, recent research proves that this is in fact not the case: it takes fewer than four hours of local authority-funded domiciliary care per day before it becomes more expensive to provide care at home than in a residential setting.

20. The average weekly fee for a care home is £583.60 (for local authority-funded

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12 The Telegraph, ‘NHS bed blocking doubles, costing public purse £640m’, January 2015
13 Sampson, ‘The Impact of acute Hospitalisation on People with Dementia: The Behaviour and Pain (BepAid) Study’, April 2013
14 Care Industry News, ‘Home care can cost far more than living in a care home with 24 hour support’, June 2014
nursing clients), while a person living at home requiring care, including pensions and various benefits, costs £191.30 weekly. The average cost of domiciliary care is £14.90 per hour, meaning the total cost to the state for a person receiving four hours of domiciliary care, seven days a week, is £608.50.

21. For an individual receiving greater social support, such as housing benefits, the point at which care at home costs as much as a care home place is fewer than two hours a day.

22. 70% of those receiving domiciliary care receive over five hours a day. This average number of visits is rising: 43% of people receiving domiciliary care in 2012-13 received intensive support (over 10 contact hours and 6 or more visits per week) compared to 22% in 2002\textsuperscript{15}, putting an increasing burden on already-constrained local authority budgets.

Role of private capital

23. There is currently billions of capital invested in the care home market, with interest from REITs increasing over the past two years\textsuperscript{16}. Private investment allows care homes to be delivered quickly and efficiently, and in a time of constrained public finances, the private sector stands ready to play its part in continuing to invest in and build care homes, ensuring growing numbers of elderly people are able to receive high-quality care in a purpose-built, comfortable setting.

\textsuperscript{15} Health & Social Care Information Centre, ‘Community Care Statistics: Social Services Activity, England’ December 2013
\textsuperscript{16} FT, ‘US investors snap up UK care homes’, June 2014
24. For investors, occupancy levels have remained stable over the past five years, and new interest in the healthcare real estate sector means it remains a stable asset class for investors.

_In a time of constrained public finances, private investment allows care homes to be delivered quickly and efficiently._

**Challenges and solutions**

25. Developers of modern care homes require around one acre for a new scheme, meaning they are regularly competing with housebuilders for available sites. Given that the higher profit margins available to housebuilders mean they are often able to pay more for a site, care home developers are often left at a disadvantage.

26. The Community Infrastructure Levy (CIL), charged on net additional floor space, also presents a challenge to the viability of a care home development. In many cases, local authorities do not recognise that the additional costs associated with developments which have larger communal and non-sellable areas (such as common rooms; laundries; and dining rooms) are not always recoverable in the rental costs of care homes as they are in other forms of residential developments.

_Local planning authorities could reflect a preference in their Local Plan for care home development to be located close to hospitals, or indeed allocate specific sites for care homes near hospitals._

27. Depending on the outcome of means testing, the cost of a bed in a care home often falls to the local authority. Public sector cuts have limited what local authorities are able to pay per bed, meaning those who pay for their own care have been forced to make up the shortfall by paying much more than those receiving a bed through their local authority. As well as presenting rising costs
to private payers, this constraint on operator revenue risks limiting further development.

28. Including an assessment in local plans of the population’s expected growth, and particularly the predicted growth in the number of elderly people, would help quantify an area’s future need for care homes.

29. Local planning authorities could also reflect a preference in their Local Plan for such sites to be located close to hospitals, or indeed allocate specific sites for care homes near hospitals, in order to encourage the development of care homes which could also offer step-down care for patients who have completed their acute care but are not yet sufficiently independent to move home.

30. There is anecdotal evidence that local authorities are reluctant to grant planning permission for new care home developments, as there are fears that such schemes place additional burdens on the public services in an area.

31. To meet the increase in demand presented by an ageing population, there needs to be wider recognition of the benefits provided by care homes to local authorities, the NHS and elderly people across the country.

Contact

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