

Closures of Care Homes for Older People

Summary of Findings, No. 1
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BACKGROUND

The rise in the incidence of care home closures over recent years has been the subject of considerable public concern. This summary describes the results of a Department of Health funded research project investigating the causes, process and consequences of closures of care homes for older people. The research aims of this first stage of the study were to identify the:

- rates of closures nationally
- types and characteristics of homes that are closing
- circumstances that lead to home closure.

PARTICIPANTS AND METHOD

A national survey of registration and inspection (R&I) unit managers was carried out to identify rates of closure, consequences for local supply, characteristics of closed homes, and the range of possible reasons. Telephone interviews were also conducted with a sample of R&I managers to ask about two recent closures, and to request contact details for independent providers of recently closed care homes. These providers were then interviewed to identify the combination of factors and circumstances that led to the closure.

Box 1. Research data

- National survey of R&I units
- Telephone survey of sample of R&I units about recent closures
- Interviews with providers of recently closed homes

177 (82%) of the 215 R&I managers contacted completed the survey. Telephone interviews were conducted with 39 R&I managers (89% of units con-

tacted), who provided information about 69 recent closures (see table 1).

Table 1. Number of recent closures described by R&I managers

Home type	No.	%
Residential	34	49
Nursing	28	40
Dual registered	7	10
Total	69	100

Preliminary interviews were carried out with five providers and structured interviews were carried out with a further 20. They offered a range of experience and views in terms of geographical location, home type, home size, sector of ownership, and size of organisation (see table 2). The majority had previous experience of working in the care sector and seven had worked in the field for more than 20 years.

Table 2. Size and registration status of providers' homes

Home type	No. homes	Average places
Residential	11	19
Nursing	6	34
Dual registered	3	52
Total	20	28

RATES OF HOME CLOSURE

During the year ending March 2001, the overall rate of closure for independent care homes for older people was 5%. The highest rate of closure, 11%, was amongst small homes (homes with fewer than four places) (see table 3).

Rates of closure varied regionally (see figure 1). The highest rates of closure of residential and nursing homes were in the South East and South West

(7%) and the lowest in the Eastern region (3%). The rates of residential home closure were slightly higher than the rates for nursing homes in the Northern and Yorkshire, North West, West Midlands and London regions, while the reverse was the case in Trent.

EFFECTS ON CAPACITY

Overall, the number of closures exceeded the number of new registrations for each type of home (see table 3). The net effect of closures, openings and changes in registration on capacity can be seen in terms of the number of homes and the number of places (see table 4).

Table 3. Rates of homes closing and opening, 2000-2001

Home type	% closing	% opening
Residential	5	3
Nursing	5	1
LA	4	<1
Small (<4 places)	11	7

Table 4. Percentage reduction in number of homes and places, 2000-2001

Home type	Homes	Places
Residential	-4.0	-1.1
Nursing	-4.8	-4.2
LA	-5.8	-8.5
Small (<4 places)	-4.9	-7.6

The number of nursing homes fell in all regions. The number of residential homes also fell, except in Trent and London where there was a slight increase (by 1.3 and 0.7%). Similarly, the number of small homes fell in all but one region, the North West, where the number increased slightly (by 0.6%). The greatest reduction was in the South West, in both residential (9.9%) and nursing homes (6.4%).

THE RESEARCH TEAM

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Nationally, the number of places reduced for each type of care home, but rates varied by region (see figure 2). With the exception of London, nursing home places reduced in every region. However, there were some slight regional increases in the number of residential places in four of the eight regions: London, Trent, the North West and West Midlands. In the North West and Trent, the increase in independent residential places exceeded the fall in LA places. The greatest reductions in the number of residential places were in the southern part of the country, whereas among nursing homes the reductions were distributed more evenly.

THE CHARACTERISTICS OF CLOSED HOMES

The majority of the recent closures described by the R&I managers were privately-owned homes. Over half had been singly-owned homes and just under a third were one of a pair. The nursing and dual registered homes were less likely to have been in a chain than nationally. For each type of home, the average size was smaller than the national average (see table 5).

Table 5. Average size of closed homes

Home type	In sample	Nationally
Residential homes	15	22
Nursing homes	24	35

R&I managers rated the quality of care as excellent, good or OK in 61% of the recently closed homes (see table 6), and as poor in less than a quarter (19%). In two cases registration had been cancelled, and a further 12 had compliance notices outstanding.

Table 6. R&I assessment of quality of care in recently closed homes

Assessment	Residential	Nursing	Dual
Excellent	3	3	0
Good	8	9	1
OK	10	4	4
Fair	5	8	0
Poor	7	4	2
Total	33	28	7

THE TIMING OF CLOSURES

The provider interviews highlighted the variability in the time that can elapse between when closure is first considered and closure itself. Closures can occur as quickly as four weeks after the decision to close or after a considerable period (sometimes years).

The timing was influenced by judgements about when losses were no longer sustainable or when the home was no longer financially viable. Changes in circumstances, such as a sudden drop in occupancy, the loss of a key member of staff, or an increase in the value of the property, also influenced timing.

REASONS FOR CLOSURE

Inspectors were asked to classify homes that closed during the year ending March 2001, in terms of business failure, enforcement action or other reasons.

Business failure was cited by R&I managers as the main reason for 46% of residential home closures, 58% of the nursing home closures and 37% of the small home closures during this period.

Three perspectives were gained on reasons for closures:

- R&I managers' perspective on factors relevant in their area
- R&I managers' perspective on the causes of individual closures
- the providers' perspective.

We draw on each of these perspectives to discuss the main factors and circumstances identified.

Box 2. Factors leading to closure identified by providers

- Local authority pricing policies
- Care standards
- Type and level of demand
- Staffing issues
- Property market
- Commissioning and regulatory environment

Local authority pricing policies

Local authority pricing policies were seen as a factor associated with closures in their area by two-thirds of the R&I managers. The use of residential places for 'high dependency' residents was also highlighted as a factor in nursing home closures by 40% of the health authority R&I managers.

Nearly three-quarters of the providers said that LA fees not covering costs influenced their decision to close. For ten it was decisive. At the time of closure fees were lower than the average regional weekly fees paid at March 2000 (*Laing's Healthcare Market Review 2001-2001*, Laing & Buisson, 2000) in all but one case. Weekly LA fees paid at the time of closure ranged from £304 to £343 for nursing homes (with one London home receiving £488), and from £218 to £269 for residential homes.

Figure 1. Rates of closure by region, 2000–2001

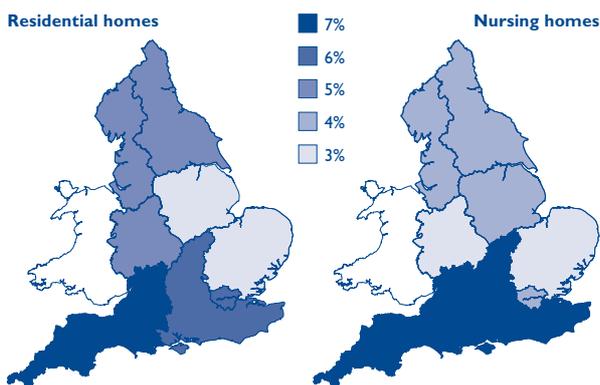
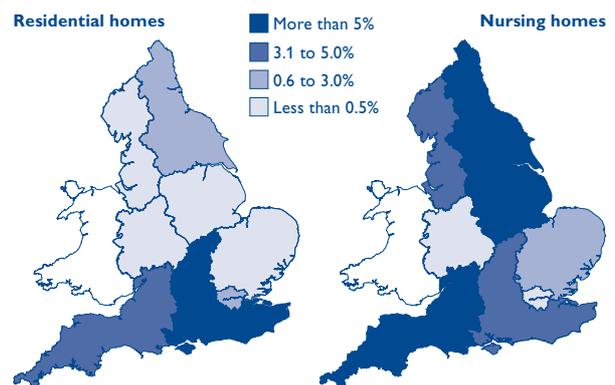


Figure 2. Reduction in number of places by region, 2000–2001



The providers emphasised:

- fee increases below inflation
- long term payment of low fees
- low fees being at odds with providing a service of increasingly high quality.

Combined with relatively small sized businesses, low fees could lead to insufficient profit levels to support intensive re-investment or to service a loan for alterations to comply with the new standards.

Care standards and the National Minimum Standards

About half of the R&I managers identified care standards as a factor leading to closures in their area. An inability or unwillingness amongst providers to meet standards was also the third most common reason given by R&I managers for the two most recent closures. When combined with similar issues, such as the maintenance of premises, management and quality of care, the relevance of current and future care standards increased to being a factor in 60% of the recent closures.

The cost implications of the National Minimum Standards, along with LA prices not covering costs, was the factor most often decisive or relevant to providers' decisions to close. Cost implications included:

- level of initial investment needed (especially to meet the physical environment standards)
- projected reduction in the value of the business if the number of places were reduced to meet room size standards (identified by a quarter of the providers)
- anticipated increases in running costs.

Four providers said the home could not be adapted to meet the new environment standards.

Demand and supply

Lower demand for publicly-funded places was identified by R&I managers as a factor affecting closures in their area. It was highlighted less often than the use of places for 'high dependency' residents (discussed above) but more often than lower demand for self-funded places.

Eight of the 20 providers cited reduced demand for publicly-funded places as decisive. Occupancy in the 12 months prior to closure ranged from 5–40%.

For smaller homes a relatively small drop in demand could reduce the business to the break-even point or below.

Just under a third of the R&I managers identified over-supply of residential homes as a reason for local closures and a fifth over-supply of nursing homes. Views varied regionally. However, none of the R&I managers cited over-supply as a reason for individual closures.

Staffing issues

Nursing recruitment was the factor most frequently identified by health authority R&I managers as associated with closures in their area (by 81% of managers). Just under half of the R&I managers identified care staff recruitment as a factor affecting nursing and residential closures. Recruitment was not identified by any R&I managers as a factor affecting either of the two most recent closures, although retention problems were, and providers identified recruitment as a background issue.

Recruiting care staff was a factor for over a third of the providers, and recruiting nursing staff was a factor for a third of the nursing home providers. Recruiting or retaining managerial staff was also a factor for four providers. Recruitment difficulties were linked by providers to:

- high levels of competition in local labour markets
- limited budgets for salaries and advertising
- the demanding nature of the job
- the national nursing shortage.

Wage rates were identified by over a third of the R&I managers as a factor influencing closures in their area, although staff costs were only highlighted by managers as a cause of 6% of the recent closures. Increases in staff costs or the impact of the National Minimum Wage were also identified by seven providers.

Property market

About a third of the R&I managers identified high property values as a factor in their area. It was most frequently identified as a factor by R&I managers in the south of the country, although in London less than half saw it as an issue. In the telephone survey, 18% of the R&I managers also said the lack of affordable premises affected the local supply of homes.

The high value of premises or land was identified by a quarter of the providers as a factor in their decision to close. For three it was decisive. For some, high property values meant that the property was worth more than the business. This could provide an opportunity to exit, when there was little prospect of selling as a going concern. It also made future capital investment uneconomic.

The commissioning and regulatory environment

LA contracting arrangements were identified as an issue affecting local closures (by 19% of the health authority R&I managers and 11% of the LA R&I managers), although this issue was only noted by one R&I manager as having caused a recent closure. Four providers identified contracting arrangements as a factor in their decision to close, and for one it was decisive. Almost three-quarters of the providers reported a lack of negotiation over the price of placements. Purchasing intentions were also said to be unclear.

In terms of their general relationship with the LA, eight providers reported good relationships, describing co-operation, communication and strategic planning. However, seven reported poor relationships. Problems experienced included delays in payment (reported by a quarter of the providers), delays from assessment to admission, and delays in the time taken to assess clients. Such practices increased levels of uncertainty and could reduce levels of income.

Just over half of the providers described their local care market as organised unfairly, in terms of the use of LA provision and of the referral of new admissions with high dependency levels having been assessed as having low dependency needs. Just over a quarter said LA homes received preferential treatment.

Relationships with care managers also varied. Examples of poor relationships included a sense that refusing a referral would run the risk of being 'punished' by having future referrals withheld. Two providers said that their homes had been deliberately boycotted.

Most of the providers did not identify their relationship with the R&I unit as a factor in the closure. Several described their relationship as good or excellent. Nearly a third, however, said it was a decisive factor. Poor

relationships were characterised by:

- 'endless nitpicking'
- poor communication
- inconsistency between officers in their interpretations of regulations
- inconsistency in the implementation of regulations across homes
- inconsistency between the requirements of the R&I unit and other regulatory bodies.

Loss of motivation

Loss of motivation was a factor in the decision to close for about a third of the providers. While many had entered the business hoping for professional and creative achievement, in practice they had felt swamped by bureaucracy and regulation that appeared to be inconsistent, irrelevant and ever-increasing. Representatives of a charitable organisation also identified moral and social justice issues as decisive factors, since continuing to invest in a service to meet the gap created by insufficient government funding was considered to be wrong and unachievable.

Personal reasons

R&I managers identified a change in personal circumstances (including retirement and bereavement) as a main reason for a quarter, and a factor in almost a third, of the 69 recent closures. Of the 20 providers, a quarter had wanted to retire, and for three this was decisive.

Combination of factors

Most providers identified more than one reason for closure. Although none had closed due to bankruptcy, all but two homes had been closed to avoid further losses or because of insufficient financial return. This was linked to the combined influence of LA prices not covering costs and the cost implications of the new National Minimum Standards for about a third of the providers. Low occupancy tended to be a factor in closures when combined with either or both of these factors and/or increases in running costs, a concern that LA prices were unlikely

to cover costs in the future, and/or wanting to retire. A desire to retire tended to combine with other factors such as being unable to meet the new standards, a poor relationship with the R&I unit, or a fall in occupancy.

STEPS TAKEN TO AVOID CLOSURE

Strategies introduced or investigated by providers in response to fees not covering costs included:

- increasing existing sources of income
- diversifying into other service areas
- and/or minimising further losses by cutting expenditure.

Strategies to increase income included:

- changing the home size
- trying to improve occupancy rates
- trying to increase the proportion of self-funded residents.

Some providers were deterred from diversifying, either by the process, the requirements, or the belief that it would not solve the problem.

Strategies to reduce costs included changing staffing levels, freezing wages (although some providers increased salaries to retain staff), and reducing additional services.

CHANGES THAT MIGHT HAVE PREVENTED CLOSURE

Providers were asked what, if anything, might have prevented the closure. A quarter regarded closure as unavoidable. Several others said it might have been delayed but they would still have tried to exit. Providers most often (two-thirds) identified an increase in LA fees as something that might have prevented closure. On average, an increase of 22% was indicated, although this varied.

Four providers indicated that higher levels of occupancy might have prevented closure. Six identified a relaxation of the regulatory environment

and three highlighted an improved relationship with the R&I unit as factors that might have prevented closure.

Other changes that might have prevented one or two of the closures include: greater partnership with the LA; availability of funding for new service development; improved local labour supply; and availability of suitable managerial staff.

FUTURE RESEARCH

Future work aims to develop a better understanding of the process of closures and the consequences for residents, relatives and carers, providers and staff and local authority social services and commissioning departments.

This summary and the full reports are on the PSSRU website:
<http://www.ukc.ac.uk/pssru/>

- The Rate, Causes and Consequences of Home Closures (DP 1741/2)
- Care Home Closures: The Provider Perspective (DP 1753/2)

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The **PERSONAL SOCIAL SERVICES RESEARCH UNIT** undertakes social and health care research, supported mainly by the Department of Health, and focusing particularly on policy research and analysis of equity and efficiency in community care, long-term care and related areas — including services for elderly people, people with mental health problems and children in care. The PSSRU was established at the University of Kent at Canterbury in 1974, and from 1996 it has operated from three branches:

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