

## 1.1 Private sector nursing homes for older people

Using Adult Social Care Finance Return (ASC-FR)<sup>1</sup> returns for 2014/15 uprated by the PSS pay and prices inflator, the median cost per person for supporting older people in a non-local authority nursing care home was £509 per week, with an interquartile range of £460 to £603. The mean cost was £539 per week. The standard NHS nursing care contribution is £112.<sup>2</sup> When we add the standard NHS nursing care contribution to PSS expenditure, the total expected median cost is £621 and the mean cost is £651. This analysis of the ASC-FR returns excludes self-funded residents.

| Costs and unit estimation  | 2015/2016 value | Notes  |
|--|-----------------|--|
| A. Fees  | £770 per week   | The direct unit cost of private sector nursing homes is assumed to be the fee. Where a market is fairly competitive, such as that for private sector nursing homes, it is reasonable to assume that the fee will approximate the societal cost of the service. <sup>3,4,5,6,7</sup> A weighted average fee for England reflecting the distribution of single and shared rooms was taken from Laing & Buisson Care Homes Complete Dataset 2015/16. <sup>8</sup><br><br>Care home fees have been split into their component parts by Laing & Buisson (2015). <sup>9</sup> For nursing care for frail elderly people, direct costs (staff: ancillary support, and non-staff: repairs and maintenance at home level and other non-staff current costs) form 68 per cent of care staff costs, and indirect costs (corporate overheads) form 8.7 per cent. |
| External services<br>B. Community nursing<br>C. GP services<br>D. Other external services  |                 | No current studies indicate how external services are used by nursing home residents. See previous editions of this volume for sources of information.   |
| E. Personal living expenses  | £24.90 per week | The Department for Work and Pensions (DWP) personal allowance for people in residential care or a nursing home is £24.90. <sup>2</sup> This has been used as a proxy for personal consumption.   |
| Short-term care  |                 | No current information is available on whether residents in short-term care are less costly than those who live full-time in a nursing home. See previous editions of this volume for sources of information.  |
| Dependency   |                 | No current information is available on the relationship of dependency with cost. See previous editions of this volume for sources of information.  |
| Occupancy  | 90.1 per cent   | The occupancy level in England for private and voluntary care homes for older and physically disabled people during June 2015 was 90.1 per cent. The occupancy rate for care homes (for-profit sector) with nursing was 89.2 per cent (provisional). <sup>6</sup>  |
| London multiplier  | 1.11 x A        | Fees in London nursing homes were 11 per cent higher than the national average. <sup>6</sup>   |
| <b>Unit costs available 2015/2016</b>  |                 |  |
| £770 establishment cost per permanent resident week (A); £795 establishment cost plus personal living expenses per permanent resident week (A and E);<br>£110 establishment cost per permanent resident day (A); £114 establishment cost plus personal living expenses per permanent resident day (A and E). |                 |  |

<sup>1</sup> NHS Digital (2016) *Adult Social Care Finance Return (ASC-FR)*, NHS Digital, Leeds. <http://www.content.digital.nhs.uk/catalogue/PUB22240> [accessed 28 November 2016].

<sup>2</sup> PayingForCare (2016) *Types of state and local authority support*, <http://www.payingforcare.org/types-of-state-and-local-authority-support> [accessed 19 May 2016].

<sup>3</sup> Forder, J. & Allen, S. (2011) *Competition in the care homes market*, <https://www.ohe.org/sites/default/files/Competition%20in%20care%20home%20market%202011.pdf> [accessed 29 November 2016].

<sup>4</sup> Institute of Public Care (2014) *The stability of the care market and market oversight in England*, <http://www.cqc.org.uk/sites/default/files/201402-market-stability-report.pdf> [28 November 2016].

<sup>5</sup> Drummond, M. & McGuire, A. (2001, p.71) *Economic evaluation in health care*, Oxford University Press.

<sup>6</sup> Laing & Buisson (2015) *Care of older people: UK market report 2014/2015*, Laing & Buisson, London.

<sup>7</sup> Laing & Buisson (2012) *'Fair Fees' for care placements left behind amidst council cuts*, [http://www.laingbuisson.co.uk/Portals/1/PressReleases/FairPrice\\_12\\_PR.pdf](http://www.laingbuisson.co.uk/Portals/1/PressReleases/FairPrice_12_PR.pdf) [accessed 29 November 2016].

<sup>8</sup> Laing & Buisson (2016) *Laing & Buisson Care Homes Complete Dataset 2015/16*, London.

<sup>9</sup> Laing & Buisson (2013) *Councils rely on a 'hidden tax' on older care home residents*, Laing & Buisson, London.

## 1.2 Private sector residential care for older people

Using Adult Social Care Finance Return (ASC-FR)<sup>1</sup> returns for 2014/15 uprated by the PSS pay and prices inflator, the median cost per person for supporting older people in a residential care home provided by non-local authority organisations was £509 per week, with a mean cost of £539 per week, and an interquartile range of £460 to £603. This analysis of the ASC-FR returns excludes self-funded residents.

| Costs and unit estimation  | 2015/2016 value | Notes  |
|--|-----------------|--|
| A. Fees  | £628 per week   | The direct unit cost of private sector residential homes is assumed to be the fee. Where a market is fairly competitive, such as that for private sector residential homes, it is reasonable to assume that the fee will approximate the societal cost of the service. <sup>2,3,4,5,6</sup> A weighted average fee for England reflecting the distribution of single and shared rooms was taken from Laing & Buisson Care Homes Complete Dataset 2015/16. <sup>7</sup><br><br>Care home fees have been split into their component parts by Laing & Buisson (2015). <sup>8</sup> For residential care for frail elderly people, direct costs (staff: ancillary support, and non-staff: repairs and maintenance at home level and other non-staff current costs) form 68 per cent of care staff costs, and indirect costs (corporate overheads) form 8.7 per cent. |
| External service<br>B. Community nursing<br>C. GP services<br>D. Other external services   |                 | No current studies indicate how external services are used by residential care home residents. See previous editions of this volume for sources of information.  |
| E. Personal living expenses  | £24.90 per week | The Department for Work and Pensions (DWP) personal allowance for people in residential care or a nursing home is £24.90. <sup>9</sup> This has been used as a proxy for personal consumption.   |
| Short-term care  |                 | No current information is available on whether residents in short-term care are less costly than those who live full-time in a residential care home. See previous editions of this volume for sources of information.   |
| Dependency   |                 | No current information is available on the relationship of dependency with cost. See previous editions of this volume for sources of information.  |
| London multiplier  | 1.38 x A        | Fees in London residential homes were 38 per cent higher than the national average. <sup>5</sup>   |
| Occupancy  | 90.1 per cent   | The occupancy level in England for private and voluntary care homes for older and physically disabled people during June 2015 was 90.1 per cent. The occupancy rate for care homes (for-profit sector) without nursing was 89.7 per cent (provisional). <sup>5</sup>   |
| <b>Unit costs available 2015/2016</b>  |                 |  |
| £628 establishment cost per permanent resident week (A); £653 establishment cost plus personal living expenses per permanent resident week (A and E);<br>£90 establishment cost per permanent resident day (A); £93 establishment cost plus personal living expenses per permanent resident day (A and E). |                 |  |

<sup>1</sup> NHS Digital (2016) *Adult Social Care Finance Return (ASC-FR)*, NHS Digital, Leeds [<http://www.content.digital.nhs.uk/catalogue/PUB22240>] [accessed 28 November 2016].

<sup>2</sup> Forder, J. & Allen, S. (2011) *Competition in the care homes market*, <https://www.ohe.org/sites/default/files/Competition%20in%20care%20home%20market%202011.pdf> [accessed 29 November 2016].

<sup>3</sup> Institute of Public Care (2014) *The stability of the care market and market oversight in England*, <http://www.cqc.org.uk/sites/default/files/201402-market-stability-report.pdf> [28 November 2016].

<sup>4</sup> Drummond, M. & McGuire, A. (2001, p.71) *Economic evaluation in health care*, Oxford University Press.

<sup>5</sup> Laing & Buisson (2015) *Care of older people: UK market report 2014/2015*, Laing & Buisson, London.

<sup>6</sup> Laing & Buisson (2012) *'Fair Fees' for care placements left behind amidst council cuts*, [http://www.laingbuisson.co.uk/Portals/1/PressReleases/FairPrice\\_12\\_PR.pdf](http://www.laingbuisson.co.uk/Portals/1/PressReleases/FairPrice_12_PR.pdf) [accessed 29 November 2016].

<sup>7</sup> Laing & Buisson (2016) *Laing & Buisson Care Homes Complete Dataset 2015/16*, London.

<sup>8</sup> Laing & Buisson (2013) *Councils rely on a 'hidden tax' on older care home residents*, Laing & Buisson, London.

<sup>9</sup> PayingForCare (2016) *Types of state and local authority support*, <http://www.payingforcare.org/types-of-state-and-local-authority-support> [accessed 19 May 2016].