Evaluating the impact of the 2005 OFT study into care homes for older people

Prepared for the Office of Fair Trading by GHK

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This work was undertaken by GHK Consulting Ltd for the OFT. The views expressed in the publication are those of the authors and not necessarily those of the OFT.

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1 EXECUTIVE SUMMARY

1.1 The Office of Fair Trading (OFT) has a public commitment as part of its Comprehensive Spending Review settlement to evaluate each year the impact of at least one of its previous market studies. In this context, the OFT commissioned GHK Consulting Ltd. to evaluate the impact of the OFT’s 2005 market study1 into care homes for older people in the UK.

1.2 The OFT launched its investigation into the care homes market in 2004 and published its findings the following year, noting a range of concerns and concluding that many users were poorly served by the market. The OFT made a series of recommendations for improving the operation of the market including changes in the information provided to prospective and existing care home residents and their representatives by local authorities, care home regulators and care homes themselves.

1.3 This report, by GHK Consulting Ltd, evaluates the impact of the OFT study on the care homes market and quantifies the benefits delivered to consumers, including by considering consumer decisions and the extent to which the OFT’s recommendations have improved the situation. In particular, our evaluation considers impacts in the following areas:

- consumer awareness and behaviour when choosing a care home
- prices, quality of service, choice and competition in the market
- regulatory burden to care home businesses and any administrative costs to Government, regulators and local authorities, and
- other consumer impacts, including evidence of switching and non-quantifiable impacts.

1 Office of Fair Trading (2005), Care homes for older people in the UK: A market study, [online], Available at www.oft.gov.uk/shared_oft/reports/consumer_protection/oft780.pdf;jsessionid=34F968E396EF0EF4DB01CCCAE9583DFA, Accessed 11 March 2011.
1.4 There were four main elements to the method used for the evaluation:

- developing an analytical framework for assessing impact
- undertaking desk and primary research to gather the evidence necessary to inform that analytical framework
- triangulating evidence and information collected to test and validate results through cross verification, and
- analysing and synthesising the evidence, including determining consumer impacts from the OFT’s study.

**Changes in care homes supply and demand**

1.5 Our evaluation points to a number of changes in the care homes market over the last five years which reflect partly the longer-term trends in supply and demand driven largely by demographic changes.

1.6 On the demand-side, the number of older people in care homes in 2010 (approximately 419,000) was similar to the number in 2005, reflecting a stabilisation in demand following a steady reduction in demand in the decade prior to 2005. The stability in demand in recent years has been influenced by two countervailing forces. First, the ageing population and rising levels of disability and dependency among older people has increased demand for care home places. And, second, the growth in domiciliary care and 'rationing' by local authorities via more restricted use of eligibility criteria has pushed down the demand for care home places.

1.7 On the supply-side, the number of care homes has fallen since 2005 but overall capacity in 2010 is higher than that seen in 2005, reflecting growing consolidation in the market for care homes. Stability in overall care homes capacity is consistent with stability in overall levels of demand for care homes.

1.8 Those entering care homes today are more likely to be funding their own care and, hence, arranging their own care home place than at the time of
the OFT’s study. Further, care home residents are far more likely to be older and more dependent on the assistance of third parties in arranging their care needs.

1.9 The main conclusion that we draw from the evidence on supply and demand is that the provision of clear and timely information on care homes is more important than ever. With increasing rates of disability and dependence among the care home resident population, the ability of family and friends to make informed decisions quickly about the care home arrangements of an older person relies upon their ability to access clear and detailed information on the choices available to them.

Choosing a care home

1.10 Although the attributes of a care home that are important for consumers in forming a decision are similar to those cited in 2005 (location of the home is the most important factor, followed by the availability of rooms), the circumstances in which such decisions are made have changed for many older people and their representatives. The demographic factors cited above (such as a higher proportion of residents with dementia) point to an increasing reliance on relatives and representatives in the decision-making process.

1.11 In many cases, especially where the older person suffers from an illness or condition (such as dementia) which impairs their ability to make informed and conscious decisions, it is the role of a family member or friend (or, indeed, a public body like a local authority or health trust) to seek information about care home options and make the decision about the future care arrangements of the older person.

1.12 Therefore, the consumer of the service may not be the person accessing information on care home options nor will they necessarily be the eventual 'choice agent', that is, the individual who makes decisions about the service received. Insofar as the OFT market study addresses matters relating to the choice of care home and the rights to information of consumers that are resident in care homes, we consider that its
recommendations impact both the decision-maker and the ultimate recipient of care.

**Impact of OFT recommendations and related developments**

1.13 Our evaluation presents and analyses evidence on the impact of the OFT's market study recommendations, including the response of market participants to the recommendations made. Although changes may have occurred over that period as a result of factors other than the direct involvement of the OFT, we believe that a comparison with the market in 2005 is relevant and can provide a valid counterfactual, especially as our analysis focuses on those areas where OFT recommendations have been the main driver for change.

**Information provision**

1.14 The OFT's study included three recommendations regarding the provision of information to prospective and existing care home residents, the first of which concerned local authority care home directories. The OFT recommended that directories cover all care homes for older people in the local authorities' area, including details of what the authority will pay for care and details of homes that require 'top-ups'.

1.15 Our evaluation finds that, of the 52 local authorities that responded to our question regarding the completeness of directories, 45 (or 87 per cent) indicated that their directories cover all care homes for older people in their area. Although statistical differences between the 2005 and 2010 surveys are insignificant due to different response rates, the results of the 2010 survey suggest that the majority of local authorities provide complete directories of care homes in their area.

1.16 The second recommendation the OFT made related to care home inspection reports and, specifically, that care homes provide new residents with a copy of the latest inspection report when moving into the home and inform residents when a new inspection report is available. In research for this evaluation, 84 per cent of care homes said that they provide new residents with the latest inspection report when moving into the home, while 92 per cent of care homes said that they inform
residents when a new inspection report becomes available. These figures are encouraging and suggest that care homes recognise the need to provide residents with information on the quality of the home as set out in regulatory inspection reports. However, with the benefit of hindsight, alternative wording in the OFT’s recommendation (to make explicit that the inspection report should be provided at an early stage in the consumer’s decision-making process) may have generated even greater improvements in consumer welfare.

1.17 The further recommendation concerned the establishment of a central information source or 'one-stop shop' from which people could access information on care homes. The First Stop Care Advice service was set up by the not-for-profit sector in 2008 and has received Government funding. Early indications are that the UK-wide service is a success with increasing use of the service and high rates of satisfaction. In addition, the Care Information Scotland website and helpline was developed by the Scottish Executive in response to the OFT recommendation that a 'one-stop shop' was needed. This service was set up as a direct result of the OFT market study.

1.18 In summary, our evidence points to general improvements in the provision of information to consumers which should also be viewed within the context of other improvements in information provision, including greater access to clearer inspection reports.

Authority obligations

1.19 The OFT also made recommendations on the obligations of local authorities including assisting self-funded residents and clarifying the circumstances surrounding the payment of top-ups.

1.20 Most local authority respondents (53 out of 62) indicated that they provide the same level of advice and assistance to self-funded and

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2 It is not possible to comment on changes in these responses since 2005 as questions on inspection reports were not asked in 2005.
publicly funded residents of care homes. In addition, 41 of 62 local authorities indicated a willingness to arrange and contract for the care of self-funders.

1.21 In relation to top-up payments, the majority of local authority respondents (around two-thirds) indicated that they attempt to limit the existence or level (or both) of third party contribution charges (or 'top-up fees') levied by care homes for older people. This proportion was unchanged from 2005.

Price transparency

1.22 The OFT market study also recommended that care homes provide pricing information promptly and prior to the decision to enter a home. We used our care homes survey and a mystery shopping exercise to ascertain the extent to which this occurs by asking homes if they provide potential residents with detailed price lists.

1.23 Seventy-nine per cent of care homes indicated that they provide detailed price lists to prospective residents when they are considering moving into a care home. This represents a statistically significant increase from the equivalent figure (72 per cent) reported in 2005.

1.24 Only 55 per cent of care homes indicated that they provide information to prospective residents (when they are considering moving into a care home) on the 'circumstances under which fee increases are calculated'. Although this represents a statistically significant fall from the 63 per cent of homes that said the same in 2005, the results of the survey need to be viewed with caution. Information on fee changes may be included in the care homes' 'detailed price lists' and/or care homes may have interpreted this question to refer to the calculation of the fee increase (rather than the provision of information on the possible scale and timing of increases), making the change since 2005 less conclusive (and concerning) that it might appear at first sight. Indeed, 90 per cent of our mystery shopping callers were able to obtain information on fee levels, including 85 per cent who obtained information on fee changes (a statistically significant increase from 66 per cent in 2005) and 86 per
cent who obtained information on top-up fees (rising from 71 per cent in 2005). Overall, we conclude that the provision of basic information on care home fees and top-ups seems to have improved since the OFT’s study.

Contracts

1.25 The lack of contracts and statements of terms and conditions at the time of the OFT’s market study led to the recommendation that care homes provide written contracts or statements of terms to all residents so as to provide them a basis for redress should things go wrong.

1.26 Research for this evaluation paints a positive picture of progress in relation to this recommendation. Ninety-four per cent of care homes said that they provide residents with a contract and/or statement of terms and conditions in the care home. This represented a statistically significant improvement on the 82 per cent of care homes that said the same in 2005. This is further confirmed by our mystery shopping exercise as 94 per cent of our callers were able to obtain information over the telephone on contract terms. This represented a statistically significant increase on the 69 per cent of callers in 2005 that were able to obtain contract information.

Complaints

1.27 Finally, the OFT made a series of recommendations intended to improve the awareness of complaints procedures among care home residents. This included the recommendation that care homes provide guidance on complaints procedures in the form of an annexe to the older person’s contract or statement of terms, and also signpost complaints procedures in suitable places in the care home.

1.28 Sixty-one per cent of the respondents to our care homes survey said they provide information on complaints procedures within the resident’s contract or statement of terms and conditions. A similar proportion (59 per cent) said they use posters and other information around the home to provide information on complaints procedures. In the absence of data from 2005 against which to compare these figures, we can only
conclude that there remains scope for greater consistency in the provision of information on avenues for redress.

**Summary of progress**

1.29 Overall, our evidence and analysis surrounding changes in the care homes market, and the extent to which these changes have been driven by the OFT’s market study, point to improvements since 2005. The generally positive response to the OFT’s recommendations is summarised in Box 1.1.

**BOX 1.1 SUMMARY OF PROGRESS ON OFT RECOMMENDATIONS**

**Information provision**

- Most local authorities (45 of 52 survey respondents) say they provide directories covering all care homes for older people in their area.

- Most care homes (84 per cent) say they provide new residents with an inspection report when moving into the home, and 92 per cent of homes say they inform residents when a new inspection report becomes available.

- An information one-stop-shop ('First Stop Care Advice') was established in 2008.

**Authority obligations**

- Most local authorities (53 out of 62) say they provide the same level of advice and assistance to self-funded and publicly funded residents.

- Most local authorities (40 out of 61) say they attempt to limit the existence or level (or both) of third party contribution charges levied by care homes.

**Price transparency**

- Most care homes (80 per cent) say they provide detailed price lists to prospective residents when they are considering moving into a care home and we were able to obtain information on fees when we contacted care homes.
Contracts

- Most care homes (94 per cent) say they provide residents with a contract and/or statement of terms and conditions in the care home.

- Fifty-four per cent of care homes are aware of the Unfair Terms in Consumer Contracts Regulations of which 15 per cent were made aware as a result of OFT activity, either enforcement action or guidance.

Complaints

- All regulators now collect and publish data on care homes complaints.

- A large proportion of care homes (61 per cent) say they provide information on complaints procedures within the resident’s contract or statement of terms and conditions. A similar proportion (59 per cent) report using posters and other information around the home to provide information on complaints procedures.

Consumer impacts

1.30 GHK was asked to assess and, where feasible, estimate or quantify changes in market outcomes for consumers and determine the extent to which these are attributable to the OFT’s market study recommendations. In doing so, we rely on a combination of sources (including our own fieldwork, the economic literature on health and social care issues, and market and policy data).

1.31 In addition to exploring the impact on consumers resulting from specific OFT recommendations in areas where the OFT is a key actor, we have analysed information obtained through our fieldwork to attribute wider change (for instance in overall quality) to specific OFT recommendations. The quantitative estimates thus produced are conservative, and based on evidence and clear assumptions, and need to be considered together with other (qualitative) evidence on the impact of the OFT market study.
Care home fees

1.32 Evidence from our care homes survey, along with existing market data, suggest that changes in care home fees since 2005 have been driven predominantly by cost inflation and changes in local authority baseline fees. We found no evidence of either downward pressure on fees arising from improved price transparency for consumers or upward pressure arising from any increased business burden due to requirements for care homes to provide additional information.

Care home quality

1.33 Our survey provides an indication of the extent to which care homes’ policies and procedures have changed as a direct result of the OFT’s market study, resulting in an improvement in quality that would otherwise have not occurred. We combine this information with data on changes in the quality of care homes and in average care home fees and on estimated 'willingness to pay' values to derive a monetary estimate of these quality improvements since 2005 (see paragraphs 5.18 to 5.33 in Chapter 5).

Time savings

1.34 We attempted to gather information on time savings (and the willingness to pay for those time savings) from care home residents and their representatives by including questions on these issues in our consumer research. Our fieldwork with care home residents did not elicit the information necessary to inform estimates of consumer time savings. However, the qualitative evidence we gathered on the impact of improved information provision suggests that things are moving in the right direction, with reports of improved confidence among residents and their representatives regarding the decisions they made about their care arrangements.

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Consumer switching

1.35 In the absence of quantitative estimates of the scale of consumer switching in the care homes market (reflecting the nature of the market and length of stay), information on consumer switching presented here is limited to qualitative analysis arising from our consumer research. In general, our consumer research illustrated that where residents and their representatives deem switching care home to be a realistic proposition, it is very much viewed as the last resort.4

Complaints and consumer redress

1.36 Complaints by care home residents have fallen year-on-year since 2004. Overall complaints volumes fell by around half (that is, by more than 11,000 complaints) between 2004 and 2007. This fall is particularly encouraging when considering the increased information on complaints mechanisms.

1.37 Assigning a monetary value to the fall in complaints caused by the OFT’s study is not possible given restrictions in available data. Specifically, data restrictions prevent us from establishing causal linkages between the OFT’s recommendations and the change in complaints. Further, assigning a financial value to the marginal change in complaints is limited by the lack of observations on possible proxy values, such as the compensation awarded to residents as recompense for the time and trouble involved in lodging a complaint.

1.38 Given data limitations, we note the significant improvement in care homes complaints volumes and that residents (and representatives) with whom we consulted generally indicated their satisfaction with their care home arrangements (with an average satisfaction score of around eight out of 10 from residents, and slightly higher for representatives).

4 Where an individual has dementia, switching is even less likely as this can be extremely disruptive to a resident’s life. This emphasises the importance of getting the decision right the first time for most residents and the relevance of information provision before the decision takes place, as highlighted by the OFT recommendations.
Value for money and overall financial impacts

1.39 Quantifying the full costs associated with implementing the OFT study’s recommendations is made extremely challenging by the multiplicity of different agents responsible for driving change within the sector. Given the fragmented nature of the sector, the different rates of progress in terms of responding to the OFT’s recommendations and the lack of sound data on the costs of implementing the recommendations, we are unable to quantify with any certainty the full costs associated with implementing the OFT’s recommendations across the market.

1.40 In terms of the benefits associated with the OFT’s market study, and as outlined above, assigning monetary values to consumer benefits is also challenging, both from a theoretical and practical perspective, given the limitations in monetising what are predominantly non-price dimensions of service. The only area where we have been able to derive financial estimates of impact is in relation to quality improvements, where we estimate that such improvements between 2005 and 2010 result in cumulative consumer benefits of at least £30 million to £50 million, with the actual benefits accruing to consumers over that period more likely to be at the lower end of this range. This is an approximate monetary estimate based on a number of assumptions and should be viewed as an estimate of the order of magnitude of the cumulative benefits for consumers and treated with a degree of caution.

1.41 Although the estimated benefit might appear somewhat low in the context of the overall value of the care homes market (£14 billion annually), it is also a very conservative estimate given the following factors:

- it is a conservative **estimate of just one of the range of benefits** arising from the OFT’s market study. These quantitative estimates should be viewed alongside the qualitative evidence of improvements in consumer welfare contained throughout this evaluation and

- the consumer impacts identified in our evaluation represent a **point-in-time snapshot only**. The order of magnitude of improvements in
consumer welfare presented here (estimated at around £6-10 million per year since 2005) will continue to accrue at a similar scale in future years.

1.42 On the basis of the (somewhat limited) information on costs and our partial estimates of financial benefits accruing to consumers, the overall benefit to cost ratio (and, hence, value for money) associated with the OFT’s market study seems unquestionably to be well in excess of the 5:1 target that is part of the current OFT’s Spending Review commitments.

1.43 In summary, qualitative and quantitative evidence and analysis surrounding changes in the care homes market point to improvements in the welfare of care home residents since 2005 as a result of the OFT market study. The increased ability of older people and their representatives to access information on care homes, combined with improvements in the nature of that information, indicates that older people who are seeking care within a residential or nursing home setting are better placed now than in 2005.

1.44 Despite these changes, we believe that there is scope for further improvements. For instance, given the relatively low proportion of care homes that report providing residents with information on complaints procedures, the provision of information and access to redress in this market could be improved. Given recent changes in complaints procedures which have been designed to improve redress mechanisms for care home residents, it is increasingly important that consumers understand clearly the process for raising a complaint.

1.45 Finally, our evaluation identifies some insights which might inform future work in care markets (and, by extension, in other consumer markets with similar characteristics), including:

- **The importance of information awareness** – for the full benefits of information to materialise, consideration should be given not only to the provision of relevant information but also to raising consumer awareness of market information and its potential value. Among the
care home residents and their representatives that we interviewed, there was relatively limited use of inspection reports, contracts and other sources of information on care homes, despite improvements in provision and access in recent years. In part, this may reflect low awareness among some consumers of the content and potential value of such sources for providing information on the terms, conditions and quality of care provided within a given care home. In some cases, it will also reflect the low value that certain consumers place on such information for informing their decisions about a care home. Although the improvements in information provision since 2005 should be commended, we believe that market participants should give further consideration to promoting such material among older people and their representatives.

- **The need for effective implementation strategies** – in markets such as the care homes sector that are characterised by a multiplicity of market participants, the implementation of recommendations can prove particularly challenging, and might require strategies for working together with other stakeholders to ensure that recommendations are driven forward. The response to the OFT’s recommendations over the last five years may, in part, reflect the large number of different agents in this sector (including four health departments, four care homes regulators, 214 local authorities and more than 18,000 individual care homes). Consequently, implementation strategies for driving change in a market are arguably as important as the form and content of the recommendations themselves.

- **The content and form of recommendations** – the specific content and form of recommendations, including wording, can impact the effectiveness of the recommendations and whether their 'spirit' is followed. In some cases, while care homes appear to follow the letter of the recommendation, it is questionable whether they are following in all cases the spirit of what the OFT originally envisaged. For example, the OFT may have envisaged that care homes would provide certain information (such as inspection reports) at an earlier
point in the consumer’s decision making process than they actually do.
2 INTRODUCTION AND BACKGROUND

2.1 The Office of Fair Trading (OFT) has a public commitment as part of its Comprehensive Spending Review settlement to commission an independent evaluation of the impact of at least one of its previous market studies each year. The OFT relies on findings from such evaluations to fulfil a dual role associated with external accountability and providing internal management with evidence and intelligence.

2.2 In this context, the OFT commissioned GHK Consulting Ltd. to evaluate the impact of the OFT’s 2005 market study into care homes for older people in the UK (the ‘OFT study’). This evaluation focuses on the implementation of the OFT’s recommendations, considering the study’s effect on the market. The evaluation attempts to estimate and quantify where feasible the benefits to consumers arising from the OFT’s intervention.

Background

2.3 In 2004, the OFT launched a market study into the operation of the care homes industry for older people in response to a 2003 Which? super-complaint.\(^5\) In its super-complaint, Which? stated that it did not believe that the market for care home services was working well and asked the OFT to investigate a number of aspects of the market’s operation. This was intended to ‘expose for discussion the effect of the operation of the market on some of society’s most frail and vulnerable consumers’.\(^6\)

2.4 The OFT study assessed the workings of the market and whether it was working well for consumers by drawing on a range of primary research,

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\(^5\) The super-complaint was received on 5 December 2003 by Which? (known at the time as the Consumers’ Association). The super-complaint was made on behalf of most of the organisations in the Social Policy Ageing Information Network (SPAIN).

including a care home 'mystery shopping' exercise and surveys of users, care home providers and local authorities, with a view to investigating:

- consumer behaviour – the context in which prospective residents and/or their representatives make choices about a care home and how this affected competition in the market

- price transparency – the ease with which prospective residents and/or their representatives obtain sufficient clear and accurate information on fees and extra charges, and

- contracts – whether contracts offer sufficient transparency and protection against (unreasonable) price increases.

2.5 The OFT published its findings in 2005, noting a range of concerns and concluding that many users were poorly served by the care homes market. The OFT made a series of recommendations for improving the market as Box 2.1 illustrates. The OFT's recommendations had implications for the UK Government and for the devolved administrations, who have responsibility for the provision of care services in their respective areas. They also had ramifications for care home regulators such as the CQC, local authorities, care home providers and the OFT itself. Consequently, Box 2.1 also describes the parties responsible for delivering against these recommendations to demonstrate the breadth of stakeholders across the care homes market involved in implementing the OFT's work.

**BOX 2.1 RECOMMENDATIONS MADE BY THE OFT AND GHK’S ASSESSMENT OF DELIVERY RESPONSIBILITY**

**Information provision**

- Local authority care home directories cover all care homes for older people in their area, including details of what the authority will pay for care and details of homes that require 'top-ups'. Care home regulators and inspectorates should monitor that authorities provide this information.

  [Delivery responsibility – 214 local authorities; four care home regulators]
• All care home regulators should make their care home inspection reports available online, and make them more user-friendly. Care homes should provide new residents with a copy of the latest inspection report when moving into the home and inform residents when a new inspection report is available.

[Delivery responsibility – four care home regulators; 19,500 care homes]

• Government should establish a central information source or 'one stop shop' for people to get information about care for older people.

[Delivery responsibility – four health departments]

Authority obligations

• Government to clarify guidance so that self-funded residents get the same level of advice and assistance from local authorities as publicly funded residents. Care homes regulators and inspectorates to monitor this.

[Delivery responsibility – four health departments; four care home regulators]

• Authorities to ensure their guidance states that publicly funded residents don’t need to pay top-up fees.

[Delivery responsibility – 214 local authorities]

Price transparency

• Care homes to provide pricing information promptly and prior to the older person making the decision to enter a home.

[Delivery responsibility – 19,500 care homes]

• Government amend the relevant regulations to include this as a requirement.

[Delivery responsibility – four health departments]

Contracts

• Care homes for older people ensure urgently that all their residents are provided with written contracts or statements of terms and that care home regulators and inspectorates monitor this.

[Delivery responsibility – four care home regulators; 19,500 care homes]
• The Department of Health to amend legislation and guidance to ensure local authorities pay the full cost of care (including any top-up, which it can then recover from the third party payer).
  [Delivery responsibility – 214 local authorities; four health departments]

• OFT to alert care homes to guidance on Unfair Terms in Consumer Contracts and also its guidance on unfair terms in care home contracts. OFT to continue to take enforcement action where appropriate.
  [Delivery responsibility – OFT]

• OFT to support and contribute to the guidance and model terms for Authority contracts that was being developed by the Department of Health and by the devolved administrations at the time of the market study.
  [Delivery responsibility – four health departments; OFT]

Complaints

• Care home regulators across the UK should improve their collection and use of complaints data.
  [Delivery responsibility – four care home regulators]

• Care home regulators should produce an easy-to-understand document that provides consumers with practical information about the redress avenues open to them. Regulators should provide care homes with this information and monitor that homes include it as an annexe to the older person’s contract or statement of terms and signpost it in suitable places in the care home. Department of Health and the devolved administrations should amend the relevant regulations to include this requirement.
  [Delivery responsibility – four health departments; four care home regulators; 19,500 care homes]

• The Department of Health and the devolved administrations should run pilot projects to measure the benefits to older people, care homes and Authorities of advocacy services being provided to older people entering or living in care homes as well as the costs of providing such services.
  [Delivery responsibility – four health departments]
• Care home regulators should make public the outcome of non-trivial substantiated complaints about care homes by including a short summary with key information in inspection reports.

[Delivery responsibility – four care home regulators]

Purpose of this evaluation

2.6 The aim of this evaluation is to assess the effect of the OFT study on the care homes market and to quantify the benefits delivered to consumers, considering how consumer decisions are made as well as the extent to which the OFT’s recommendations have improved the situation. In particular, the evaluation will aim to provide a better understanding of:

• consumer awareness and behaviour when choosing a care home

• prices, quality of service, choice and competition in the market

• regulatory burden to care home businesses and any administrative costs to Government, regulators and local authorities, and

• other consumer impacts, including evidence of switching and non-quantifiable impacts.

2.7 In doing so, this evaluation considers a number of specific questions, including:

• In what ways has the market changed since OFT’s study and recommendations and what is the impact of these changes on consumers? To what extent are any changes (directly) attributable to OFT actions? Do changes (and their impact) differ across devolved administrations?

• What steps, if any, have local authorities taken to provide better information to self and publically funded residents, including on the workings of the funding system and top-up payments?
• Are prospective residents and their representatives now receiving better information when choosing a care home? Are residents receiving better information about the costs of their care and fairer contract terms and conditions? To what extent do they access this information and use it to make effective choices?

• Do residents have better information on how to complain and better access to support when making a complaint? What impact has this had on overall complaint volumes?

Our methodology

2.8 Our method of approach for this evaluation involved four key elements:

• developing an analytical framework for assessing impact

• undertaking desk and primary research to gather the evidence necessary to inform that analytical framework

• triangulating evidence and information collected to test and validate results through cross verification, and

• analysing and synthesising the evidence, including determining consumer impacts of the OFT’s study.

Analytical framework

2.9 Our analytical framework for measuring and assessing the impacts of the OFT’s study was based around an intervention logic model that sets out the indicative causal links between the OFT’s recommendations and their anticipated outcomes and impacts (Figure 2.1).

2.10 This analytical framework details the activities, outputs, outcomes and impacts for which our evaluation has gathered evidence. In addition to the elements shown above, our evaluation has also considered whether any other outcomes have arisen including unintended consequences and costs.
The results and findings from our desk and primary research (described below) have informed the activities, outputs, outcomes and impacts in our analytical framework.
FIGURE 2.1 FRAMEWORK FOR ANALYSIS

- **Rationale**: To improve market operation & consumer outcomes by addressing failures in the market for care homes

- **Problem areas**: Lack of information about care homes, Confusion about local authority obligations, Lack of price transparency, Unfair contracts, Ineffective mechanisms for consumer complaints

- **Activities**: One-stop-shop for information and advice, Improved listings of care homes, Care homes contacts/terms for prospective residents, Better availability of inspection reports, OFT guidance and enforcement of UTCCRs

- **Outputs**: Number of calls/web hits to one-stop-shop, Number of calls/web hits for care home listings, Number of prospective residents given contracts/terms, Number of downloads of inspection reports, Number of enforcement actions for UTCCRs, Number of consumer complaints processed by regulator

- **Outcomes**: Improved consumer information on choice, terms & rights, Improved care home compliance with UTCCRs, Reduced time taken by consumers in making decisions, Changes in levels of consumer switching, Increased access to redress

- **Market impacts**: Lower prices, Increased quality, Improved consumer welfare

- **Consumer impacts**: Lower complaints, More effective complaints procedures

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Desk and primary research

2.12 We undertook a thorough review of relevant literature as a starting point for documenting the current care homes market for older people and how it has changed since the OFT’s study. Details of existing market

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7 Our evaluation presents evidence and analysis on a range of outcomes and what we term 'market' and 'consumer' impacts. This is something of an artificial separation but it is used here to more clearly delineate 'upstream' market effects (changes in the price and quality of care home services) and 'downstream' consumer effects (the impact of these changes in price and quality on satisfaction and complaints/redress). While certain outcomes, such as changes in levels of consumer switching, would be expected to materialise in many consumer markets as a result of improved information transparency, these might be more limited in the care homes market (given that residents stay in care homes for only a limited period of time and the disruptive and largely undesirable nature of moving care home).
research, data and other reports reviewed by GHK are set out in the annexes to this report.

2.13 We supplemented our review of existing literature and data with stakeholder discussions. This allowed us to review the issues and recommended solutions identified in the OFT’s study and to explore developments since the study was published (including the implementation of the OFT’s recommendations). Details of stakeholders with whom we consulted are also set out in the annexes to this report.

2.14 Although our desk research and stakeholder consultations provided us with valuable information and perspectives on the operation of the care homes market, primary research (including surveys and interviews) with a number of different stakeholder groups was necessary to provide detailed evidence on the implementation and impact of the OFT’s recommendations.

2.15 The fieldwork stage of our evaluation had four elements:

- consumer interviews and focus groups – we conducted a number of interviews and small focus groups with care home residents and their relatives both within the care home and in neutral settings to document consumer experiences in choosing a care home

- care homes survey – partnering with Swift Research Ltd., a market research company, we completed a survey of 375 care homes across the United Kingdom to determine their practices in relation to information provision, pricing and complaints

- care homes mystery shopping exercise – partnering with Swift Research Ltd., we undertook a mystery shopping exercise with 376

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8 A sample size of 375 was chosen on the basis of a population of approximately 15,000 care homes in the UK. This sample size generated statistically representative results at a 95 per cent level of confidence with an error of margin of +/- five per cent.
care homes (primarily the same care homes we surveyed\textsuperscript{9}) to assess their practices and how this compares to care homes survey responses, and

- local authorities’ survey – GHK sent a survey to every local authority (and Health Trust in Northern Ireland). This contained questions related to consumer choice and switching, information provision, top-up fees and complaints, among other things.

2.16 In addition, we also liaised directly with the head offices of selected major care home providers to better understand their policies and procedures and facilitate comparisons with the actual behaviour of care homes observed through our mystery shopping exercise.

2.17 Some of the characteristics inherent to the care homes market created challenges for our primary research with residents. These challenges relate predominantly to the (changing) profile of the care home resident population and manifest themselves in two main ways. First, the choice of care home is not necessarily made by the person who becomes the consumer of care services. Relatives, friends and/or local authority employees are often responsible for making the main decisions on the care arrangements of the older person (see Box 2.2). And second, many of the residents that we interviewed had limited mental capacity to respond to the sometimes complex issues and questions at hand. Although these challenges were encountered during the OFT’s 2005 market study, they have become even more acute since that time with the ageing population and the changing profile of the care home resident population (described further in Chapter 3).

\textsuperscript{9} Care homes that we surveyed were used in our mystery shopping exercise unless they had no vacancies and a waiting list in case this unduly influenced their willingness to respond to our mystery shopping callers. The larger sample size for the mystery shopping exercise was unintentional and purely reflected the final mystery shopping calls occurring at the same time and prior to the fieldwork being stopped upon reaching our sample target.
A complicating factor in applying a conventional approach to analysing impacts of OFT market study recommendations on affected consumers is that in the care homes market an older person looking to move into a care home may have limited or no involvement in the decision about that care home. Therefore, the consumer of the service may not be the person accessing information on care home options nor will they necessarily be the eventual 'choice agent', that is, the individual who makes decisions about the service received. Insofar as the OFT market study addresses matters relating to the choice of care home and the rights to information of consumers that are resident in care homes, we consider that its recommendations impact both the decision-maker and the ultimate recipient of care.

In many cases, especially where the older person suffers from an illness or condition (such as dementia) which impairs their ability to make informed and conscious decisions, it is the role of a family member or friend (or, indeed, a public body like a local authority or health trust) to seek information about care home options and make the decision about the future care arrangements of the older person.

This important nuance as to who the consumer is at different stages in the process was reflected in our methodology. We interviewed relatives as well as residents, and we 'triangulated' information sources.

**Comparing and contrasting evidence from different sources**

2.18 Gathering evidence on a specific issue from multiple sources allowed us to test and validate our results through cross verification/examination. For example, by looking at multiple sources of information (consumer research with residents, information from our care home survey and mystery shopping exercise) on how care homes behave, we were able to increase our confidence in the extent to which care homes provide prospective residents with contracts and/or terms and conditions. As such, we have attempted to 'triangulate' sources to cross-examine results (rather than draw conclusions based on a single source only).
Comparing our results with those obtained in 2005

2.19 Our primary research approach was designed as far as possible to facilitate comparability with the results of the OFT’s research for its 2005 market study. Table 2.1 sets out the areas of similarity and difference between the respective research methods.

2.20 Where survey results are reported in our evaluation, we include references to the statistical significance of observed differences in the results over time. We used a hypothesis test (involving a two-proportion z-test) to determine whether a change in survey results between 2005 and 2010 is significant (that is, whether the change is unlikely to have occurred purely by chance because, for instance, we have surveyed different individuals). Differences between local authority survey results are statistically insignificant given the different survey response rates. Even where differences in survey results over time are not statistically significant, our evaluation does on occasion report on the differences in values over time to provide additional contextual information.
<table>
<thead>
<tr>
<th>Research area</th>
<th>2005 methodology</th>
<th>2010 methodology</th>
<th>Degree of comparability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer research</td>
<td>Statistically representative sample of 658 residents and/or their relatives were surveyed</td>
<td>Qualitative interviews and focus groups were held with 19 care home residents and 16 relatives</td>
<td>Not directly comparable as the 2010 data are qualitative only&lt;sup&gt;10&lt;/sup&gt;</td>
</tr>
<tr>
<td>Care homes research</td>
<td>Statistically representative sample of 610 care homes were surveyed</td>
<td>Statistically representative sample of 375 care homes were surveyed</td>
<td>Directly comparable for both the survey and mystery shopping exercise at the aggregate level</td>
</tr>
<tr>
<td></td>
<td>Statistically representative sample of 725 care homes took part in a mystery shopping exercise</td>
<td>Statistically representative sample of 376 care homes took part in a mystery shopping exercise (matching, as far as possible, the care homes survey sample)</td>
<td></td>
</tr>
<tr>
<td>Local authority research</td>
<td>Survey of all local authorities (with a response rate of 57 per cent or 123 of 214 authorities)</td>
<td>Survey of all local authorities (with a response rate between 24 per cent and 29 per cent, or 52 to 62 of 214 authorities)</td>
<td>Whilst differences in results over time are not statistically significant, aggregate results are presented to highlight important trends identified by our research with local authorities&lt;sup&gt;11&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>10</sup> We used qualitative research with consumers instead of a quantitative survey as the levels of costs and time associated with a survey would have been disproportionate in the context of this evaluation exercise.

<sup>11</sup> The response rate varied according to the question (as some local authorities left some questions unanswered).
Structure of this report

2.21 The rest of this report presents our findings and sets out our conclusions. It is structured as follows:

- Chapter 3, on 'The care homes market for older people', summarises the current features of the market, including the supply of and demand for care homes and of concerns and issues surrounding the operation of the market that led to the OFT's market study.

- Chapter 4, on 'Impacts of the OFT's market study', presents evidence on and analyses the implementation of the OFT's recommendations and the changes this has delivered in the care homes sector.

- Chapter 5, on 'Consumer impacts', sets out our core empirical analysis of the impact on consumers of these changes, and

- Chapter 6, on 'Conclusions and further insights', summarises the evaluation findings and draws insights for further work in this area.

2.22 Our report is accompanied by annexes containing additional information and analysis referred to in this report.
3 THE CARE HOMES MARKET FOR OLDER PEOPLE

3.1 Prior to evaluating the impact of the OFT’s recommendations on consumers, we describe the care homes market, including how the system of assessment and commissioning works and the changes in the supply of and demand for care homes in the UK over the past five years.

Concerns about the working of the market

3.2 As a prelude to describing the current features of the UK care homes market for older people, this section outlines those aspects of the care homes market that led to the OFT’s 2005 market study. This provides a point of comparison to the current characteristics of the market.

3.3 A healthy, competitive and well-functioning market for the provision of care home services is a vital precondition for ensuring that older people can access affordable and quality care that reflects their needs and preferences. Where the market does not function properly, this can generate significant consumer detriment as well as costs for existing and potential new providers within the care homes market.

3.4 The characteristics of a well-functioning care homes market should include a wide range of providers competing on a level playing-field to win business by driving down costs and prices while developing quality services that meet consumers' needs more effectively than their rivals. A competitive and contestable care homes market will encourage innovation, productivity and efficiency gains as well as providing consumers with increased choice.

3.5 Public markets require a 'healthy' supply-side and demand-side to reinforce one another and contribute to improved outcomes for consumers. The demand-side should be characterised by informed and aware consumers who are able and willing to exercise choice. However, where constraints exist on the demand-side, the choice mechanism is likely to be less effective in driving better outcomes (Figure 3.1).
3.6 The OFT’s 2005 market study into care homes found that the market was not functioning well, resulting in detrimental outcomes to consumers. The key area of concern related to information asymmetries among market participants (with care home residents lacking sufficient information and this hindering their ability to make informed choices on

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the basis of price, quality and other relevant aspects of a care home). This, in turn, undermined the functioning of the market by limiting the pressure and discipline for suppliers to innovate and improve outcomes for consumers.

3.7 By identifying ways of correcting these information asymmetries, the OFT’s market study aimed to improve the functioning of the market and consumer welfare. The OFT study was intended not only to benefit consumers in the immediate term, but also to generate positive effects on market productivity, competition and long-run efficiency which would help to ensure longer-term benefits for consumers.

Current features of the system

3.8 A care home may be defined as 'a residential setting where a number of older people live, usually in single rooms, and have access to on-site care services'. In England, Scotland and Wales, all such institutions are known as care homes, but may be divided into two categories on the basis of the care levels they are registered to provide:

- **Residential care** – homes that provide only personal care (assistance with washing, dressing and medication) are registered merely as 'care homes'.

- **Nursing care** – homes that provide personal care (as above) but also maintain a qualified nurse on duty at all times to provide nursing care are registered as care homes providing nursing care. While this need not imply that all spaces in the home are reserved for nursing care, the home should offer some degree of nursing.

3.9 In Northern Ireland, the terms 'residential care home' and 'nursing care home' are still in official use to describe these two types of care home.

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13 See the website of FirstStop, the independent advisory service on care and housing for older people, at [www.firststopcaredvise.org.uk/jargon-care-home.aspx](http://www.firststopcaredvise.org.uk/jargon-care-home.aspx).
The term 'non-medical care home' may also be used to refer to any home which specifies that it does not offer medical care.

3.10 An older person requiring social care in the UK goes through the following assessment process before being placed in a care home:

- The individual is initially required to undergo a care needs assessment conducted by their local authority. Such an assessment is governed by provisions such as the erstwhile Fair Access to Care Services (FACS) and the more recent 'Putting People First' guidance in England and Wales and the Single Shared Assessment (SSA) system in Scotland.¹⁴

- Following such an assessment, the authority conducts an evaluation of the person's financial assets to determine whether their eligibility for publicly funded residential or nursing care. In each national jurisdiction (England, Scotland, Wales and Northern Ireland), upper and lower capital limits are stipulated by the Charges for Residential Accommodation (CRAG) Guidance. These limits, adjusted yearly to account for inflation, were at the levels specified in Table 3.1 at the time of writing (March 2011).

- In effect, older persons with capital below the lower limit receive full funding from their authority, while those whose capital exceeds the upper limit are not entitled to any public funding. Individuals with capital assets exceeding the lower limit but with less than the upper limit contribute to their care costs on the basis of any income they

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may receive from pensions or other benefits. In Wales, since April 2010, there is a single capital limit, set at £22,000.\(^\text{15}\)

- After their authority has determined the level of public funding they are entitled to, older persons are free to choose any care home of their preference provided the home has a vacancy and meets the authority’s guidelines and needs-assessment requirements.

**TABLE 3.1 UK CARE HOMES MEANS TESTING CAPITAL THRESHOLDS (£)\(^\text{16}\)**

<table>
<thead>
<tr>
<th></th>
<th>England</th>
<th>Scotland</th>
<th>Wales</th>
<th>Northern Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Limit</td>
<td>23,250</td>
<td>22,750</td>
<td>22,000</td>
<td>23,250</td>
</tr>
<tr>
<td>Lower Limit</td>
<td>14,250</td>
<td>14,000</td>
<td>22,000</td>
<td>14,250</td>
</tr>
<tr>
<td>Personal expenses allowance (weekly)</td>
<td>22.30</td>
<td>22.30</td>
<td>22.50</td>
<td>22.30</td>
</tr>
</tbody>
</table>

- If the cost of the chosen accommodation exceeds what the authority would usually pay for the relevant care needs, a third party must be willing to 'top-up' the difference for the older person to be able to move in – this could be a relative, friend or other third party (as well as a charity in the case of Northern Ireland). In some circumstances, older people in England and Wales may themselves make the top-up payment if they prefer a more expensive care home. As Authorities throughout the UK are finally responsible for older people's financial


\(^{16}\) Charges for Residential Accommodation Guidance (CRAG), 2010 for England, Scotland, Wales and Northern Ireland. In Scotland, individuals aged 65 or over who are found to be eligible for care by means of a needs assessment are entitled to receive £156 a week for personal care, and an additional £71 a week if nursing care is required, from their local authority by way of Free Personal and Nursing Care (FPNC) payments.
care charges (once placed in homes), they should confirm that third
parties are in a position to pay any promised top-ups for the entire
duration of the contract.

Changes in the demand for care homes

Scale of demand

3.11 There are 418,000 older people currently domiciled in care homes
(residential care homes and nursing homes) in the UK. This figure has
remained relatively stable since 2005 (Figure 3.2).

FIGURE 3.2 NUMBER OF CARE HOME RESIDENTS, 2005-2010

3.12 In addition, there is a significant number of older people in receipt of
formal domiciliary (or ‘home based’) care and/or informal care. Despite a
lack of reliable time series data on these types of care provision, one

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estimate\(^{18}\) suggests that some 440,000 older people were receiving formal domiciliary care in 2006-07, while a second estimate\(^{19}\) suggests that 328,600 English households were receiving local authority funded home care in September 2008. In addition, it is estimated that some 1.9 million older people were receiving informal care in the UK in 2005.\(^{20}\)

**Regional variations in demand**

3.13 Occupancy rates in care homes for older people across different parts of the UK provide a picture of regional variations in underlying demand and of supply shortages and/or excess capacity. At a national level, care homes in England are generally less occupied than in the rest of the UK, with the lowest occupancy rates found in the North of England. With the exception of East Midlands, occupancy rates in care homes with nursing care are lower than in homes providing only residential care (Figure 3.3).

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Characteristics of care home residents

3.14 Age, gender and marital status of older people are correlated with their likelihood of residing in a care home. The probability of moving into a care home increases with age given that disability and dependence are closely related to age (discussed further below), while evidence also suggests that women are more likely to live in a care home than men. The lack of a spouse who can act as a carer means that most care home residents are single, widowed or divorced.22

3.15 All stakeholders with whom we consulted cited reductions in local authority social care budgets over time as a driver for stricter assessment procedures and budgets being ‘rationed’ to those with the greatest needs. In combination with the ageing population, this means that frail and dependent residents are increasingly prevalent within the


Laing & Buisson cite a BUPA study which concludes that the care needs of those in care homes are now largely determined by progressive, chronic diseases, with fewer than 10 per cent of residents now admitted for reasons related to housing, family or social needs without a clinical 'driver'. This impacts upon the dynamics of consumer choice of future care home arrangements, arguably suggesting that residents and/or their representatives makes decisions about a care home in more restrictive and stressful circumstances and in a shorter period of time. This is consistent with evidence that entry into a care home is usually unplanned and made in response to an event (such as a hospital admission or the death of a spouse).

**Drivers of future demand**

3.16 The two key factors influencing the demand for care homes in the UK are:

- **Changes in demographics** – specifically, the increase in life expectancy and the growing complexity of needs (and dependency on formal/informal care) associated with the ageing population (including the higher proportion of people with dementia).

- **Changes in Government policy** – a greater emphasis on personalising care services (including the introduction of individual budgets), alongside a shift towards keeping people in their homes for longer (that is, a greater focus on domiciliary or home based care rather than residential care delivered within a care home setting).

3.17 The paragraphs below provide further detail on the evidence on (and relevance of) these trends.

**Changes in demographics**

3.18 The proportion of the total UK population aged 65 or over rose from 15 per cent to 16 per cent between 1984 and 2009. This trend is set to

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23 *Ibid*. 

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continue (and accelerate) – by 2034, it is estimated that almost one quarter of the UK population will be aged 65 or over.\(^{24}\)

3.19 A critical sub-trend is the increase in the number of people aged 85 or over who are likely to have the most profound social care needs. In 2001, this figure stood at around 1.1 million and it is predicted to rise to almost three million by 2031 and to 7.2 million by 2081. This implies that the proportion of the UK population aged 85 and over would increase from around two per cent in 2001 to just over four per cent in 2031 and to nearly 8.5 per cent by 2081\(^{25}\) (Figure 3.4).

3.20 The increase in the average age of the UK population is expected to impact the scale and nature of demand for care homes in the UK. First, there is likely to be a larger number of older people in the population requiring formal or informal social care. Second, a growing proportion of those older people will tend have more complex care needs, although it is likely that improvements in science, technology and health care will contribute to improvements in the general health of those aged over 85 compared to the over 85s today. Nevertheless, at present, people over the age of 85 years are, on average, fourteen times more likely to be admitted to hospital than the average 15-39 year old\(^{26}\) and it is expected that there will be 2.4 million older people unable to perform at least one daily activity (such as eating, bathing and dressing) by 2041.\(^{27}\)

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\(^{25}\) *Ibid*.


3.21 Figures from the Government Actuary Department and Laing & Buisson show that this correlation between rates of disability/dependence and old age impacts directly upon the demand for residential care services. Approximately 0.8 per cent of the 65 to 74 year old UK population live in a care home or long stay hospital setting compared to 15.3 per cent for those aged 85 and over (Figure 3.5).

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FIGURE 3.5 PROPORTION OF THE POPULATION AGED 65 AND OVER LIVING IN A CARE HOME OR LONG STAY HOSPITAL, APRIL 2010

3.22 Overall the evidence suggests that the scale of demand for care homes will continue to rise and the composition of demand will likely change in response to changing needs. That is, demand for nursing homes (where some form of long-term medical assistance is provided) and/or homes with a dedicated dementia wing may outstrip the demand for residential care homes that do not provide such services.

3.23 Demographic change was commonly cited by the stakeholders we consulted as a key factor driving the demand for care homes in recent years and in the years to come. It was viewed as the single most important factor underlying the sustained levels of care homes demand over the past five years.

3.24 A further conclusion that we draw from these trends is that, as the relative needs of those entering care homes become more complex, the importance of consumers being able to access clear and comprehensive information to assist with care home decisions will only increase. The relative ease with which consumers are able to access the information

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required to make informed decisions about their care needs is arguably more important or, at the very least, as important now than it was at the time of the OFT’s original market study and highlights the important role of representatives acting on behalf of the end-user of the service.

Changes in Government policy

3.25 Another significant factor influencing demand for care homes is government policy. There has been a continuing shift towards providing care services that empower people to remain in their homes for as long as possible. This was set out in ‘Shaping the Future of Care Together’, which stated that everyone in the country should expect to receive: 'Free support to stay well and as independent as possible ... care and support will be designed and delivered around your individual needs ... you will have much greater choice over how and where you receive support.'

3.26 Personalisation has been the other major policy theme in the social care sector in recent years. In this respect, recent documents, such as the significant 2007 report 'Putting people first: a shared vision and commitment to the transformation of adult social care' outlines Government plans for mainstream provision of 'person-centred planning and self-directed support' and, specifically, the mainstreaming of personal budgets and direct payments which give the service user greater influence in building their package of care.

3.27 In short, these changes in policy are aimed at allowing individual users much greater scope to choose according to their preferences. In many cases...

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cases, this is intended to enable people to remain in their homes living an independent (albeit supported) life for as many years as possible, potentially reducing demand for care homes. An evaluation\textsuperscript{32} of the use of individual budgets provided evidence to support this – remaining in the home was one of the principal areas where these budgets were spent (on, for instance, personal assistants, home care, meals services).

Other factors

3.28 In addition to the changes in demographics and policy, the ratio of self-funded care home residents to local authority-funded residents has increased in the last five years (Figure 3.6), from 36 per cent at the time of the OFT market study to 43 per cent by 2010.

3.29 There are two principal factors driving this compositional change. The first is the growth in property ownership among over 65s (with associated implications for personal wealth through rising property prices) has reduced the proportion of older people eligible for public funding. The second is that cuts in funding for local authorities in recent years have led to a tightening of eligibility criteria by local authorities. The trend in both factors is expected to remain unchanged in the near future.

Key findings and conclusions – demand

3.30 Our analysis of trends (see above) points to a number of changes in the demand for care homes over the last five years:

- the level of demand for care home places has stabilised since 2005 following a steady reduction between 1993 and 2005

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• this stability in overall demand in recent years has been influenced by two countervailing forces:

  - the ageing population and rising levels of disability and dependency among older people has increased demand for care home places

  - the growth in domiciliary care and 'rationing' by local authorities via more restricted use of eligibility criteria has pushed down the demand for care home places

• there has been a change in the composition of the care homes population with more self-funders and fewer local authority-funded residents which, prima facie, increases the opportunities for cross-subsidisation by care home providers

• the increasing complexity of needs among the over 65s (most notably the increase in the proportion of the population aged 85 years or more and the growth in those diagnosed with dementia) suggests an older and frailer population entering care homes, and

• the process by which people decide on a care home does not appear to have changed significantly although the increased frailty and healthcare needs of those entering care homes suggests a greater dependency upon family and friends in the decision-making process surrounding future care arrangements and greater pressure to make decisions more quickly and without foresight or planning.

Changes in the supply of care homes

Scale of supply

3.31 The number of care homes in the UK has fallen since 2005, continuing a longer-term trend (Figure 3.7).
FIGURE 3.7 NURSING AND RESIDENTIAL CARE HOMES, UK, 2003-2009

3.32 However, total capacity in the sector has risen in recent years even as the number of homes has fallen (Figure 3.8). Total capacity has been rising steadily since 2006 (when capacity was 447,500 beds) to just under 459,000 in 2010. This has resulted in an increase in the average number of places per care home.

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Supply by ownership type

3.33 Approximately 75 per cent of care home places in the UK are provided by private companies, with around 15 per cent of places provided by the voluntary sector and less than 10 per cent by local authorities or the NHS (Figure 3.9). The rate of provision by public bodies in each of the devolved nations is much higher than in England, with over a third of places in Wales and Northern Ireland publicly provided. Since 2005, the relative importance of different ownership types across the UK has not changed substantially.

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Occupancy rates

3.34 Despite the stabilisation in demand for care homes over the last five years, occupancy rates have continued to decrease, and were at their lowest level in 2010 of any time in the past decade (Figure 3.10).

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36 Laing & Buisson (2010-11), *Care of Elderly People: UK Market Survey 2010-11*, Twenty-third Edition, London. Note: Includes residential places in care homes with nursing (post 2002) and in dual registered homes (prior to 2002). Includes nursing places in care homes with nursing (post 2002) and in dual registered homes (prior to 2002). Local authority nursing care figures based on NHS long stay geriatric beds (which have been estimated since 1988 on the assumption that acute/rehabilitation geriatric beds in England have remained constant and the entire decline in geriatric beds arises from loss of long stay beds) combined with NHS long stay psycho-geriatric places. Private and voluntary residential places from 2004 onwards include places in homes of fewer than four beds, which were excluded from previous years as 'small' homes.
3.35 The reason for the fall in occupancy rates is that the growth in capacity in recent years has outstripped demand. Laing & Buisson found that new registration capacity was running at about double the loss of capacity from closures. Nearly all of the net new capacity has been in the nursing home sector which is consistent with the data on occupancy rates shown earlier in Figure 3.3.

Regional variations in supply

3.36 The distribution of care homes varies across the UK. Figures 3.11 and 3.12 present data on the supply of care homes by location, with data for England broken down to regional level.

3.37 Figure 3.11 shows that there are more care homes in the South East of England than anywhere else in the UK, with many regions having a

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similar number of care homes (between 1,500 and 2,000). Despite a general fall in the number of care homes in each region, there has been no change in the 'ordering' of different regions with respect to care home numbers since 2005. Regions with a higher stock of care homes experienced larger absolute declines in the number of care homes than those with a lower stock.

**FIGURE 3.11 NURSING AND RESIDENTIAL CARE HOMES, BY REGION, 2003-2010**

3.38 Figure 3.12 shows the number of care home places per 1,000 population aged 65+ in each region. This is a more accurate description of market provision as it reflects capacity in terms of number of places/beds supplied compared against potential levels of demand.

3.39 Despite the overall rise in the number of care home places in the UK, the growth in supply has not matched the increase in the population aged 65+, with most regions experiencing a decline in the number of places

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per 1,000 population aged 65+, and the North East as the only region experiencing an increase.

FIGURE 3.12 CARE HOME PLACES PER 1,000 POPULATION AGED 65+ OVER, 2003-2009

Market structure

3.40 Figures from Laing & Buisson suggest that the market share of for-profit care providers has risen significantly over the last fifteen years. This has been accompanied by a consolidation in the for-profit segment, though it is still characterised by a large number of suppliers. Operating groups with three or more homes (‘major providers’) managed 55 per cent of for-profit capacity in 2010. The rise in the capacity share of


major providers since 2000 seems modest in comparison to the preceding two decades (Figure 3.13), when substantial acquisition and market development activity occurred in the sector.

3.41 The four largest for-profit providers (Southern Cross Healthcare, BUPA Care Services, Four Seasons Health Care and Barchester Healthcare) together account for around one-quarter of overall care homes capacity for the elderly and physically disabled. Southern Cross, the market leader, holds 10.2 per cent of for-profit capacity (equivalent to 8.7 per cent of the total care homes market capacity). The capacity share of the top 10 providers (including the four listed above) has increased significantly since 1990 (Figure 3.13).

3.42 'Major' providers (defined as operating groups with three or more homes) control 75 per cent of the not-for-profit care homes capacity. The top

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four providers – Anchor Trust, Orders of St John Care Trust, MHA Care Group and Abbeyfield Society Ltd – manage 20 per cent of not-for-profit capacity (equating to three per cent of total market capacity).

3.43 Financial barriers to entry into the care homes market are fairly low in comparison with other sectors, though restricted access to credit in the wake of the financial crisis has had an impact. In the nursing home segment the average home size has risen more prominently (from 25 places per home in 1987 to 49 in 2010) than in the residential care home segment (from 15 to 28 over the same period).

Key findings and conclusions – supply

3.44 The study points to a number of supply side changes over the last five years:

- the number of care homes has fallen since 2005 but overall capacity in 2010 is higher than that seen in 2005

- a growing consolidation within the market for care homes with a number of smaller residential care homes being replaced by fewer, larger nursing homes

- a rise in the average places per care home over the last five years

- stability in overall care homes capacity is consistent with stability in overall levels of demand for care homes

- supply is not uniform across the UK. The North East has the highest number of care home places per 1,000 population aged 65+ and is the only region which saw in increase in provision relative to population levels since 2005 and

- private providers continue to contribute most of the supply in the market, with third sector and local authority providers supplying the remainder, a pattern which has not changed since 2005.
Choosing a care home

3.45 We consider here the factors that influence an individual’s choice of care home and if and how that decision-making process has changed since the OFT conducted its study in 2005. We also consider how constraints in the ability of care home residents to exercise choice might hinder improvements in market outcomes. Combined, this contextualises the evidence on impacts presented in later chapters of this evaluation.

3.46 Consultations with stakeholders – including non-government organisations who work in an advisory and support capacity with consumers, such as Counsel & Care and Age UK – suggest that the factors for deciding on whether to enter a care home and the subsequent choice of home has not changed significantly in recent years.

3.47 In-depth interviews with care home residents and their relatives, highlighted the following three as key factors when choosing a care home:

- **Location** – the location of the care home was of primary importance for many of the residents and their representatives we interviewed and, in many cases, it outweighed all other attributes:

  'This [care home] is convenient as my daughter lives down the road.'

  'You lose your friends if you have to travel.'

  'On a good day I can get here [to visit my mother] in 10 minutes which is decent.'

- **Vacancies** – a number of older people’s representatives highlighted a lack of available rooms within a care home as a key factor in determining the eventual choice.

- **Healthcare needs** – after considering the constraints of location and availability, finding a home which was able to meet the health needs of their family member was an important factor driving considerations of choice of home.
In 2005, the OFT found that care home residents cited location and the availability of rooms as the two most important factors guiding the choice of a home. Other important considerations were the reputation of the home and whether they knew someone in the home. Some of the relatives and residents we interviewed also mentioned these as considerations in choosing a home.

Another significant influence on an individual's choice of care home cited by residents is whether the person had previously spent any time in the home for respite care. Many care homes provide respite care such that prospective residents can stay at the home for a short period of time. These periods are often seen as trials which become influential when a decision to make a permanent move is taken:

'When she [the interviewee's mother] said she wanted to move into a care home, I knew that she wanted to come back here.'

Conversely, periods of respite care can also highlight homes that are unsuitable or of a poor standard in the eyes of the older person.

A number of interviewees talked about chancing upon a care home which they then decided to choose on a permanent basis:

'I don’t know what made me do it but I just decided to go in [to the care home] and have a look. They didn’t know I was coming and when I arrived they were so welcoming. They seemed to care about my husband’s needs and made me a cup of tea. They showed me around the home and were really friendly. They said they’d let me choose a room. It was like a hotel, they had sweets on the bed and it all looked so nice. So I booked my husband in there.'

The size of the home was also cited as an important factor among interviewees. A small number of residents mentioned that they favoured smaller care homes. Another individual mentioned that a key factor for him was being able to find out how many of the residents had dementia. This was seen as important for morale, the potential for companionship and the residential care home 'not feeling like a nursing home'. A small number of residents we spoke to felt that during their time living in their
selected care homes, the number of residents with dementia had risen. This had had a significant impact on how they felt about the care home.

3.52 Another vital factor in choosing a care home, which emerged from a discussion group we conducted with black and minority ethnic (BME) older people, was for the care home to exhibit a deeper cultural understanding of residents. For residents who may have been born in a different country, but lived for many years in the UK, a potential manifestation of dementia in older age is for them to revert to the language they first spoke. Similarly, participants in this group mentioned the importance of care homes respecting the religious, dietary and cultural needs of all residents, not just the majority. Participants in the group felt that information was required on these sorts of issues as well as on core questions such as the home’s quality rating.

3.53 Although the attributes of a care home that are important for consumers in forming a decision are similar to those cited in 2005, the circumstances under which such decisions are made have changed for many older people and their representatives. For example, some of the demographic factors cited above (such as a higher proportion of residents with dementia) suggest an increasing reliance on relatives and representatives in the decision-making process. Other factors have changed the wider 'choice environment'. Increased choice provided by individual budgets and more use of domiciliary care means that some consumers that would previously have been looking at entering a care home now have other options.

3.54 All of the residents we interviewed had been given some help in choosing their care home. In most cases this was provided by family or social services, with one individual receiving help and advice from close friends. This is consistent with evidence published by Laing & Buisson42 which shows that social workers are the most frequent referral channel for state-paid care home placements followed by friends or relatives.

Among self-funded care home residents, Laing & Buisson found that friends or relatives are the most frequent referral source, accounting for 35 per cent of private placements, followed by social workers (20 per cent). Few clients, whether state-paid or private, arrange admissions themselves.

3.55 A number of residents and relatives that we met highlighted the limited time that they had had to make their choice of care home. In many cases, the decision to move into a care home was the result of a significant health issue (examples given included a stroke or a fall) which meant that the individual was no longer able to live independently. A decision often had to be taken quite quickly, which restricted the time an individual could or would take to consider their choice of homes. One family that we engaged with selected a care home for their relative within 48 hours of deciding that he could no longer live independently (as a result of a stroke). A number of interviewees also reported feeling compelled (either overtly or by implication) by health services (such as a hospital) to find a care home quickly and free-up the hospital bed. While most interviewees said they understood that they could not remain in hospital indefinitely, they also considered that such pressure had a negative impact on their ability to consider their options carefully and choose freely.

3.56 The speed with which decisions are taken, and the factors that can influence such decisions (including a previous visit for respite care or stumbling upon a care home by chance) are consistent with research\(^4\) among self-funders which found that few homes are considered in the process of making a placement. Around 30 per cent of self-funded residents considered just one home, 38 per cent considered two or three, 18 per cent considered four or five and only 15 per cent considered six or more.

3.57 As highlighted in Figure 3.1, a number of factors determine the effectiveness of choice and competition in driving improved outcomes for consumers in public markets. We believe that the nature of consumers and the factors that influence their choice might limit certain aspects of consumer demand and user choice. This include:

- consumers are not always aware that they have a choice
- the framing of choices does not always promote effective decision-making
- information can be complex and difficult to compare easily
- care home services can be heavily intermediated and it is not necessarily the case that the interests of the intermediary and the interests of the service user will be aligned in all cases, and
- some consumers do not have the capabilities necessary to make effective decisions.

3.58 These factors have the potential to undermine the effectiveness of choice in the care homes market and can limit the ability of consumers to drive improved outcomes, particularly in terms of price and quality.

3.59 The conclusions we draw on consumer choice in the care homes sector are:

- a relatively small number of factors are instrumental in guiding an individual's choice of a care home and this appears not to have changed significantly in the last five years
- some of these factors (especially the importance of the care home's location and its proximity to family and friends of the older person) effectively create local or regional constraints on choice and suggest implications for how we define the 'market'
- older people usually rely on assistance from a social worker, family member or friend to organise their care home placement and this
appears to have become even more common in the last five years with the ageing population and associated rise in disability and dependency

- generally, very few homes are considered in the process of making a care home placement, and
- these 'constraints' are likely to limit the effectiveness of choice as a mechanism for driving improved consumer outcomes.

Summary of key findings regarding market operation

3.60 Our evidence suggests a number of changes in the care homes market over the last five years which reflect longer-term trends in supply and demand driven largely by demographic changes. This evidence provides contextual information for our analysis of the OFT's recommendations (and their impact) in following chapters.

3.61 In summary, the key changes since 2005 relate to the characteristics of the care home resident population. Compared to the situation in 2005, those entering care homes today are far more likely to be older and more dependent on the assistance of third parties in arranging their care needs. Furthermore, care home residents are more likely to be funding their own care and, hence, are less likely to be able to rely on the local authority arranging their care home place.

3.62 The main conclusion we draw from the evidence is that the provision of clear and timely information on care homes is more important than ever. With increasing rates of disability and dependence among potential care home residents, the ability of family and friends to make informed decisions quickly about the care home arrangements of an older person relies upon their ability to access clear and detailed information on the choices available to them.
4 IMPACT OF THE OFT’S MARKET STUDY

4.1 This chapter presents the evidence and analysis underlying our assessment of the impact of the OFT’s 2005 market study and related developments. The evidence presented herein should be considered within the context of the OFT’s original recommendations as set out in Chapter 2.

Estimating outputs, outcomes and impacts

4.2 The evidence and analysis presented in this chapter relates to the outputs, outcomes and impacts associated with the five problem areas the OFT identified in its market study and which we set out within our framework for analysis (shown again below in Figure 4.1). Figure 4.1 highlights the metrics for which we have been able to gather quantitative or qualitative data and areas where gaps in the evidence base remain.

4.3 The evidence and analysis included herein will, invariably, reflect also the impact of market changes that may have occurred since 2005 as a result of factors beyond the direct involvement of the OFT either via its original market study or subsequent enforcement action. Although the treatment of 2005 as the counterfactual should be regarded with some caution, in the absence of other identifiable factors and given that our research focuses on those areas where the OFT interventions have been the main driving force, we believe that a comparison with the market in 2005 is valid.

Information provision

4.4 All residents and their representatives with whom we engaged had received information of some kind in making their decision to move into a care home. However it was reported that information was often variable in its quality and efficacy. Most of those residents who had received only limited assistance from family members or their representatives obtained information from a social worker who was providing assistance in response to a health problem (rather than responding to a proactive request from the older person about a care
home). Only one individual sought out information on the local choice of care homes independent of either family or a social worker. None of the residents we spoke to had used the internet to gather information; only those who had help from family members had indirectly gained any benefit from internet resources.

4.5 Those residents who had been able to gather information before moving in (many had been too ill or infirm to do so) had done so primarily through their local authority and, more specifically, via brochures or directories on the local area. While the localism of these documents was appreciated, residents reported that they used such brochures to varying degrees in their search for a care home. Some reported that it was difficult to compare characteristics such as price or quality rating across care homes while others simply had a preference for direct verbal advice rather than using literature:
'Leaflets ... it’s nothing like talking to someone.'

4.6 There was only one example of an individual (an older person’s representative) who had used what can be described as a very wide range of resources to make their decision. These resources included: a local authority-produced directory of local care homes; family friends with expertise in the area; a social worker; inspection reports found on the internet; and visits to homes (which she considered to be the most valuable way to collect information).

Care home directories

4.7 We surveyed local authorities to determine current practice in the provision of care home directories and whether this had improved since the OFT made its recommendations.

4.8 Of the 52 local authorities that responded to our question regarding the completeness of directories, 45 indicated that their directories cover all care homes for older people in their area (Figure 4.2).

FIGURE 4.2 NUMBER OF LOCAL AUTHORITIES THAT SAY THEIR DIRECTORIES COVER ALL CARE HOMES FOR OLDER PEOPLE

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44 GHK survey of local authorities (52 respondents).
Although statistical differences between the 2005 and 2010 surveys are insignificant due to different response rates, the results of the 2010 survey suggest that the majority of local authorities provide complete directories of care homes in their area.

Only 15 of 52 respondents (or 29 per cent) stated that these directories specified which homes would accept baseline fees set by the authority without requiring a third party contribution. This figure was higher than the corresponding figure (16 per cent of authorities) seen in 2005 although, again, this difference is not statistically significant. Similarly, respondents to our 2010 survey indicated that, where third party contributions are required, very few directories specify how much is usually charged.

Our discussions with local authority representative bodies (including the Local Government Association) and regulators (including the CQC and Care Commission) suggested that local authorities had updated and improved their provision of information on local care home services via their care home directories. Care home regulators cited improvements in the content and availability of directories.

**Inspection reports**

The OFT recommended that 'care homes provide new residents with a copy of the latest inspection report when moving into the home and inform residents when a new inspection report is available'.

During our survey of care homes, we asked whether the home provides new residents with a copy of their latest inspection report when the older person moves into the home. The majority (84 per cent) of care homes surveyed indicated that they provide such reports (Figure 4.3). This is likely to include cases whereby the care home provides a single, centrally-available copy of an inspection report within the home (rather

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It is not possible to comment on changes in these responses since 2005 as questions on inspection reports were not asked in 2005.
than an individual copy of a report to every resident). The head offices of the major care home providers with whom we consulted indicated that it was their policy, given the size of the report, to provide one common copy within the home.

FIGURE 4.3 PROPORTION OF CARE HOMES THAT SAY THEY PROVIDE NEW RESIDENTS WITH A COPY OF THEIR LATEST INSPECTION REPORT WHEN THE RESIDENT MOVES INTO THE HOME46

4.14 The majority of care home respondents suggested that they inform residents when a new inspection report becomes available (Figure 4.4).

4.15 During our mystery shopping exercise, it was unusual for care homes to provide any unsolicited information to our callers about their inspection report – a little over seven per cent of callers received information from the care home about its inspection report. This represents a statistically significant decline from the 15 per cent of mystery shopping callers in 2005 that were informed about inspection reports. Further, inspection reports were posted to our mystery shopping callers in just 11 per cent of cases. This may be explained in part by the fact that the OFT’s 2005

46 GHK survey of care homes (375 respondents).
recommendation suggests that care homes provide inspection reports when the older person is moving into the home rather than at an earlier stage.

FIGURE 4.4 PROPORTION OF CARE HOMES THAT SAY THEY INFORM RESIDENTS WHEN A NEW INSPECTION REPORT IS AVAILABLE\textsuperscript{47}

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>92%</td>
<td>7%</td>
<td>1%</td>
</tr>
</tbody>
</table>

4.16 Only one of the care home residents that we spoke to reported that they had looked at care home inspection reports prior to making a decision. This was done while visiting the care home as the report was available in reception for visitors to refer to. In general, the care home residents we interviewed preferred to rely on their own judgement (through visiting the care home) than the opinion of a third party (the inspectorate, or otherwise).

4.17 Finally, all care home regulators with whom we spoke – the CQC, the Care Commission in Scotland, the Care and Social Services Inspectorate Wales (CSSIW) and the Regulation and Quality Improvement Authority (RQIA) in Northern Ireland – indicated that they fully accepted the OFT recommendation that inspection reports be made more accessible and available. As such, each has taken steps to ensure that their care home

\textsuperscript{47} GHK survey of care homes (375 respondents).
inspection reports are available online and that the reports themselves are more user-friendly. For example:

- the CQC has included plain-English summaries at the start of its reports and all of its reports are available for download from its website
- the CSSIW revised its inspection reports to include an up-front summary and all inspection reports are available on CSSIW’s website\(^{48}\)
- the RQIA has recently made its inspection reports available on its website and, for the next inspection report period, the RQIA is launching a new user-friendly summary alongside the full inspection report, and
- the Care Commission in Scotland has done likewise and included scores and emoticons to provide graphical representations of service quality.

**One-stop shop**

4.18 Another important aspect of information provision that the OFT highlighted in its market study related to the multiplicity of information sources. This led the OFT to recommend the establishment of a central information source or a 'one-stop shop'.

4.19 The First Stop Care Advice service, comprising a helpline and a website ([www.firststopcareadvice.org.uk](http://www.firststopcareadvice.org.uk)), was launched in August 2008 by its founder partners Counsel and Care, Elderly Accommodation Counsel, Help the Aged and the Nursing Home Fees Agency, with the support of seed funding provided by the Big Lottery Fund. The service recently received additional funding from the Department of Communities and Local Government to expand its operations.

\(^{48}\) For small care homes (six or fewer places), reports are available from CSSIW regional offices.
4.20 First Stop Care Advice provides a searchable database of care homes by local area for the whole of the UK and produces clear and comprehensive information to assist prospective care home residents and their representatives with the process of moving into a care home, including needs assessments and means testing.

4.21 At the time of writing this evaluation, an assessment of the First Stop Care Advice service was being undertaken by the Cambridge Centre for Housing & Planning Research. The evaluation to date has found that the average number of telephone and email enquiries and the average number of website visits are increasing. The estimated annual number of customers and website downloads for financial year 2009-10 has exceeded targets set by the Department of Communities and Local Government. The evaluation has also found high levels of satisfaction with the service.

4.22 In addition to the development of First Stop Care Advice, Care Information Scotland – a website (www.careinfoscotland.co.uk) and telephone helpline – was developed by the Scottish Executive in response to the OFT recommendation that a 'one-stop shop' was needed. The service was launched in March 2010 and provides information on the range of care and support services for older people in Scotland, including information on how to access and pay for care. In addition to national information, Care Information Scotland has links to local services and contacts. This service was set up as a direct result of the OFT market study.

4.23 In Wales, the Assembly Government updated its guidance on care homes (where to go for help, the assessment process, the available options and

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who pays) in a document titled 'Thinking about a care home? A guide to what you need to know' and made this available on the Government website.

4.24 GHK understands that there may also be plans for trialling a local online resource in Northern Ireland.

Authority obligations

4.25 The OFT also made recommendations on the obligations of local authorities including assisting self-funded residents and clarifying the circumstances surrounding the payment of top-ups.

Advice and support to self-funded residents

4.26 Most local authority respondents (53 out of 62) indicated that they provide the same level of advice and assistance to self-funded and publicly funded residents of care homes (Figure 4.5).

FIGURE 4.5 NUMBER OF LOCAL AUTHORITIES THAT SAY THEY PROVIDE THE SAME LEVEL OF ADVICE AND ASSISTANCE TO SELF-FUNDED AND PUBLICLY FUNDED RESIDENTS OF CARE HOMES

GHK survey of local authorities (62 respondents).
4.27 In most cases where differences exist in the levels of assistance provided, authorities claim that this is due to less assistance for self-funders in the process of negotiation and placement in a home, rather than less advice and guidance. In addition, some authorities provide increased assistance to self-funded residents in special cases (for example, lack of capacity to assist on the part of family members) at their own discretion.

Information on top-up fees

4.28 The majority of local authority respondents (40 out of 61 or around two-thirds) indicated that they attempt to limit the existence or level (or both) of third party contribution charges (or ‘top-up fees’) levied by care homes for older people (Figure 4.6). This proportion was unchanged from 2005.

FIGURE 4.6 NUMBER OF LOCAL AUTHORITIES THAT SAY THEY ATTEMPT TO LIMIT THE EXISTENCE OR LEVEL (OR BOTH) OF TOP-UPS

4.29 In most cases, the restrictions in place were incorporated in contracts between the authority and the care home provider, often by means of ceilings on such charges. In a few cases, authorities stated that

51 GHK survey of local authorities (61 respondents).
negotiations were conducted with care providers to limit top-up charges, but providers were granted autonomy to set top-up charge levels.

Price transparency

4.30 The transparency of fees and charges levied by care homes was a key area of concern in the OFT’s original market study. The OFT recommended that care homes ‘provide pricing information promptly and prior to the older person making the decision to enter a home’.

4.31 A key theme emerging from our interviews with care home residents is that most do not have a detailed knowledge of the home’s fees. Many residents said they relied on relatives and friends to deal with fees. Only one resident had a detailed knowledge of what he paid. None of the residents and their representatives with whom we consulted cited any unexpected costs arising from their care arrangements. The only issues raised in terms of price related to the fairness of the overall funding system, an issue that is beyond the scope of this evaluation.

4.32 The following section presents evidence on care homes’ provision of pricing information to prospective residents. It draws on the survey of care homes and verifies responses using evidence from the mystery shopping exercise.

Pricing information

4.33 Most care homes surveyed indicated that they provide potential residents with information on fees and pricing – the majority of homes (79 per cent) said they provide ‘detailed price lists’, although this differed across the UK (Figure 4.7). This represents a statistically significant increase since 2005 (when 72 per cent of care homes said they provided price lists).
4.34 Only 55 per cent of care homes indicated that they provide information to prospective residents (when they are considering moving into a care home) on the 'circumstances under which fee increases are calculated'. Although this represents a statistically significant fall from the 63 per cent of homes that said the same in 2005, the results of the survey need to be viewed with caution. Information on fee changes may be included in the care homes' 'detailed price lists' and/or care homes may have interpreted this question to refer to the calculation of the fee increase (rather than the provision of information on the possible scale and timing of increases), making the change since 2005 less conclusive (and concerning) that it might appear at first sight.

4.35 We undertook a mystery shopping exercise to compare the actions of care homes against their survey responses, including practices in relation to providing pricing information. The mystery shopping exercise tested

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52 GHK survey of care homes (375 respondents).
the responsiveness of care homes to what they understood to be genuine enquiries from members of the public.

4.36 Callers rang care homes and used one of two different scenarios – one in which they were calling on behalf of an older person who was funding their own care and the other in which the older person was publicly funded. In both cases, the callers made a note of information that was offered to them in relation to fees. Figure 4.8 presents data regarding the information that our mystery shopping callers received and the circumstances in which it was received.

4.37 Care homes were more likely to offer authority-funded callers information on fees unprompted (shown in the final column in Figure 4.8), despite the fact that self-funded older people (who are growing as a proportion of the total care home population) are more reliant on information direct from the care home. However, generally speaking, our callers had to prompt care homes before information on fees was provided over the telephone but once they did around 90 per cent of all callers were provided with information on fee levels.
4.38 Comparing the information presented above with that obtained via the mystery shopping exercise undertaken in 2005 allows us to observe statistically significant differences in the following areas:

- 84 per cent of self-funded callers in 2010 obtained information on when fees are due (compared to 73 per cent in 2005)

- 85 per cent of self-funded callers in 2010 obtained information on fee changes (compared to 66 per cent in 2005), and

- 86 per cent of authority-funded callers in 2010 obtained information on top-up fees (compared to 71 per cent in 2005).

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53 GHK mystery shopping exercise with care homes (375 respondents). Note: data for the first three columns (‘fee levels’, ‘what fees cover’ and ‘when fees are due’) relate to the self-funded scenario calls only; data for the fourth column (‘fee changes’) combines data for both the self-funded and authority-funded callers; and data for the fifth column (‘top-up fees’) relates to the authority-funded scenario calls only.
4.39 We also used the mystery shopping exercise to test the clarity and completeness of the pricing information offered over the telephone. The results were as follows:

- **Clarity** – our callers generally reported that the information provided was very or fairly clear, although information on changes in fees was the least clear. This was similar to the findings of the 2005 mystery shopping exercise. Around four-in-five of our publicly-funded callers indicated that information on top-ups was very clear or fairly clear (a statistically significant increase from the 68 per cent of callers who said the same in 2005).

- **Completeness** – around 30 per cent of our self-funded callers would have preferred additional information on fees (a statistically significant rise from the 20 per cent of callers in 2005 that said the same). Approximately 75 per cent of publicly-funded callers felt that the information given to them by care homes in relation to fees was about the right amount. Approximately 70 per cent of local authority callers felt that they received the right amount of information on top-ups compared to 57 per cent of callers in 2005 (a statistically significant increase).

4.40 We also asked for literature from care homes. GHK staff then assessed the adequacy and clarity of the information provided in this written literature, including in relation to pricing information (Box 4.1).

**BOX 4.1 LITERATURE RECEIVED FROM CARE HOMES AS PART OF OUR MYSTERY SHOPPING EXERCISE**

Of the 375 care homes contacted during our mystery shopping exercise, 63 per cent (237 care homes) sent us literature (brochures, example contracts, terms and conditions, etc.) within a 21-day deadline.

We assessed the 237 care home literature packs received against the following high-level criteria:
• **timing** – 10 per cent of literature was received the day after our phone call, 26 per cent received within a few days of our call and the remaining 64 per cent received within four - seven days of our call.

• **format** – 32 per cent contained an example contract, 11 per cent contained an inspection report, 32 per cent contained terms and conditions and 78 per cent contained a brochure.

• **content** – 37 per cent contained information on basic fees and extras, 15 per cent contained information on top-up fees and 35 per cent contained information on complaints procedures, and.

• **clarity** – around 95 per cent of all literature was judged by GHK staff to be written in plain English and laid out in a clear manner although almost one-in-five was not judged to be presented in a sufficiently large font size to be read easily.

4.41 Finally, we spoke with the head offices of selected major care home providers to ascertain their stated policies and procedures in relation to the provision of pricing information. The providers with whom we spoke suggested that their homes should provide some pricing information to care home residents, including fee levels. However, they also indicated that it was unlikely that their care homes would provide detailed fee information at such an early stage (in response to an initial enquiry from a member of the public). Rather, detailed, tailored information would be provided once further information about the individual is known (in terms of their funding source and level of dependency).

4.42 In summary, there is a relatively positive correlation between what care homes say they do (with respect to the provision of pricing information) and what they actually do, at least in terms of providing such information verbally over the telephone in response to an enquiry by an individual calling on behalf of an older person. Care homes are far less likely to follow this up with the provision of written information and literature on fees, although the majority of our callers felt that the information on fees that they received over the phone was generally clear and adequate.
Contracts

4.43 Linked to the issue of information provision on care home fees is the propensity of care homes to provide residents with contracts or statements of terms and conditions.

4.44 Very few residents or their representatives with whom we met had much awareness of a contract governing their care home arrangements. Most of the residents to whom we spoke indicated that they leave these issues to family members. However, even with this in mind, the lack of awareness and understanding of contractual arrangements is, prima facie, concerning.

4.45 Only one resident stated they had signed anything before moving into their care home:

'The only agreement I signed before I moved in here was that I need to provide a month's notice if I move out.'

4.46 One interviewee knew he had a contract but was unaware of the details due to being helped by a social worker:

'I would have been lost without the help and support of the social worker.'

4.47 In the few cases where residents or their representatives had knowledge of the contract, the general feeling was that it was clear and fair.

Provision of contracts and statements of terms

4.48 We used our care homes survey to ask homes about the types of advice, information and help they offer to existing residents in the home.

4.49 Approximately 94 per cent of all care homes across the UK indicated that they provide their residents with a contract and/or statement of terms and conditions in the care home. Only two per cent of care homes in 2010 indicated that they do not provide this information at all, with
remaining respondents unsure or indicating that it was not applicable (Figure 4.9).

4.50 The 94 per cent of care homes that said they provide a contract and/or statement of terms and conditions in the care home represents a statistically significant improvement on the 82 per cent of care homes that said the same in 2005.

**FIGURE 4.9** PROPORTION OF CARE HOMES THAT SAY THEY PROVIDE EXISTING RESIDENTS WITH A CONTRACT AND/OR STATEMENT OF TERMS AND CONDITIONS⁵⁴

Authors pay the full costs of care

4.51 The OFT recommended in 2005 that legislation and guidance be amended to 'ensure the local authority pays the full cost of care (including any top-up, which it can then recover from the third party payer)'. This recommendation was rejected by the UK Government to preserve the choice available to residents to pay this either directly to the care home or via the local authority. However, we sought information from care homes on the payment of top-ups, including the contractual arrangements that prevail in such situations, to see whether and how the situation has changed since 2005.

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⁵⁴ GHK survey of care homes (375 respondents).
4.52 In situations where top-ups apply, approximately 62 per cent of care homes indicated that residents paid this directly to the care home, with a further 18 per cent of care homes saying that it was paid indirectly via the local authority (Figure 4.10). This represented a statistically significant decline from the 73 per cent of care homes in 2005 who said that residents pay top-ups directly to the care home.

4.53 Where top-ups are paid, care homes indicated that the most common contractual arrangement involved a multipartite agreement between the home, local authority and the third-party, although in 30 per cent of cases the care home contracts separately with the local authority and the third-party.

FIGURE 4.10 PAYMENT ARRANGEMENTS FOR TOP-UP FEES ACCORDING TO CARE HOME RESPONDENTS

4.54 We also asked local authorities about top-up arrangements. Authorities were divided on whether more residents might be paying third party contributions than they were aware of. A little over a third of respondents (23 of 62) felt that this was the case. A similar number (24 of 62) of authorities did not agree that more residents might be paying third party contributions than they were aware of.

[^55]: GHK survey of care homes (375 respondents).
4.55 Around 84 per cent of authorities (46 of 55 respondents) indicated that third party contributions were generally paid directly to care home providers as opposed to being routed through the authority. This figure was comparable with the results of the 2005 local authority survey.

Guidance on UTCCRs

4.56 Following its market study in 2005, the OFT undertook to raise awareness among care homes of the Unfair Terms in Consumer Contracts Regulations 1999 (UTCCRs). It did this through a mix of:

- **Guidance** – the OFT took steps to 'alert care homes to guidance on the Unfair Terms in Consumer Contracts and also its guidance on unfair terms in care home contracts'. GHK understands that the OFT delivered training to care homes inspectors on the UTCCRs and it also alerted care homes to existing guidance on the UTCCRs and on unfair terms in care homes contracts. Our discussions with care homes industry associations suggested that this guidance was both welcomed and useful.

- **Enforcement activity** – the OFT took action against thirteen care homes under the UTCCRs between January 2004 and January 2008. The thirteen undertakings provided improved and clearer contracts terms, while the deterrent effect associated with enforcement action may have resulted in improved and clearer contract terms across the market more widely.

4.57 We asked care homes whether they were aware of the UTCCRs. In response, 54 per cent of all UK care homes we surveyed indicated that they were aware of the regulations, 41 per cent were not aware and five per cent were unsure. Around 15 per cent of care homes that were familiar with the UTCCRs indicated that they had been made aware as a result of OFT activity, either enforcement action or guidance (Figure 4.11).

4.58 The OFT's guidance was issued soon after the market study was published, whereas enforcement action continued until 2008. Figure 4.11 suggests that further, targeted activity to promote the OFT's
guidance among care homes is likely to have the most positive impact on awareness.

FIGURE 4.11  CARE HOMES’ SOURCE OF INFORMATION ON UTCCRs

Complaints

Collection and use of complaints data

4.59 The OFT proposed that regulators improve their collection and use of complaints data regarding care homes for older people and it is clear from our interviews with regulators and our desktop research that improvements have been made.

4.60 In England, the CQC publishes the number of complaints received annually against care homes for the elderly on different counts (for example, abuse, food, hygiene and sanitation, staffing, etc.). In Northern Ireland, the RQIA now collects detailed information on complaints from

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56 GHK survey of care homes (375 respondents). Note: the response ‘through the company’ is interpreted as meaning corporate information provided to the individual home by the parent organisation.
care homes following the introduction of new Standards and Guidelines for the Handling of Complaints. In Scotland, the Care Commission collects and analyses a significant amount of statistical information on its own complaints investigation activity which is then incorporated in their Annual Report. In Wales, the CSSIW publishes detailed complaints information in its annual Adult Care Homes publication (as part of its annual reporting procedures).

Information on complaints

4.61 The OFT’s 2005 market study recommended that 'care homes provide information on complaints as an annexe to the older person’s contract or statement of terms and signpost it in suitable places in the care home’. The care homes we surveyed demonstrated a good knowledge of complaints procedures, with only 11 care homes lacking awareness of the wider complaints procedures for residents and only two homes not having internal procedures in place for residents wanting to make a complaint.

4.62 When asked about their practices in providing residents with information on complaints procedures, 61 per cent of UK care home respondents said they provide information within the resident’s contract or statement of terms and conditions, while 59 per cent said they use posters and other information around the home.57 Thirty per cent of homes provided information to residents verbally when asked, suggesting a more reactive/passive approach (Figure 4.12).

4.63 Our mystery shopping callers recorded whether the care home provided any information spontaneously over the telephone about the procedures residents should follow to complain and seek redress. Such information was provided in only three per cent of calls. This is perhaps unsurprising as care homes may consider it inappropriate or unnecessary to offer information on redress mechanisms in response to an initial phone

57 Data for 2005 are unavailable as care homes were not asked about their practices with respect to providing information on complaints procedures.
enquiry by a member of the public and might instead rely on providing such information in their literature. Indeed, more than a third of the literature packs we received following our mystery shopping calls contained information on complaints procedures.

4.64 The head offices of the selected major care home providers with whom we spoke indicated that information on complaints should be both included in documentation given to residents and placed around the care home.

**FIGURE 4.12** PROPORTION OF CARE HOMES THAT SAY THEY PROVIDE WRITTEN OR VERBAL INFORMATION ON COMPLAINTS

![Graph showing proportion of care homes providing written or verbal information on complaints.]

4.65 When we spoke to local authorities, most asserted that they made residents of care homes aware of complaints procedures through information published by the authority including brochures, leaflets and online information packs. In some authority areas, complaints procedures were discussed with residents at the time of admission to a home and when periodic reviews of care services pertaining to individual residents

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58 GHK survey of care homes (375 respondents). Note that differences are not statistically significant at the 95 per cent confidence level.
were undertaken by care managers or social workers. Only in two cases was the provision of such information left entirely to care home providers.

4.66 In our interviews with residents, there was little evidence of them being aware of a written policy on complaints. Feedback on the relevance of this issue was mixed – some residents\(^{59}\) were confident in their abilities to complain and gain improvements if required:

'If there was something to complain about I'd go straight to the governor.'

'They know I'm one to watch and they rectify complaints when I raise them.'

'I've still got my marbles ... I will question things if they're not right.'

4.67 Worryingly, some residents considered that complaining to staff members could 'do more harm than good'. One resident stated that she felt powerless, partially as a result of being wheelchair-bound and very dependent on staff. She was unaware of a clear complaints procedure and felt unable to approach senior staff as they may be busy in their offices. Another pointed to perceived potential repercussions:

'You tend to hold back on complaints ... you're putting yourself in a dangerous position. The care home can ask you to move on at a moment's notice ... You don't really want to get on the wrong side of them [the care home owners].'

4.68 The older person’s representative(s) felt more prepared to complain if necessary, although knowledge of written complaints policy among representatives was also low. Propensity to complain was particularly

\(^{59}\) It must be noted that we were only able to speak to the most lucid and healthy residents in the homes we have visited. This was necessary for them to be able to give consent to the research. They are, perhaps, the residents for whom a complaints policy is less relevant than the most vulnerable residents who are unable to complain about conditions themselves.
high where the older person’s representative had developed a relationship with the care home management through visiting.

4.69 Some residents mentioned regular residents’ meetings as a useful forum for feeding back and improving conditions; this was seen as good practice by both sets of interviewees.

Publicising non-trivial substantiated complaints

4.70 Our desktop research and consultations with regulators suggests that the outcomes of non-trivial substantiated complaints are published as a routine part of a care home’s inspection report.

Advocacy services

4.71 The OFT recommended in its market study that the Department of Health and the devolved administrations run pilot projects to measure the benefits to older people, care homes and local authorities of advocacy services being provided to older people entering or living in care homes as well as the costs of providing such services.

4.72 Discussions with Government officials in England and the devolved administrations suggest that although some further joint work has been taken forward in this area, the provision of advocacy services differs across England and the devolved administrations.

Competitive neutrality

4.73 The OFT asked GHK to look at whether there is any evidence of competitive neutrality issues that could hinder competition and/or contestability in the care homes market (to the detriment of consumers).

4.74 Competitive neutrality is the principle that there should be a 'level playing field' for different providers within a mixed market. More specifically, competitive differences should reflect underlying differences in costs or objectives rather than differences that arise on the basis of different ownership types – such as where regulations or taxes apply differently to different providers – as this will hinder the efficient
operation of the market and potentially lead to higher prices and reduced value for consumers.

4.75 Care homes that are owned and operated by registered charities can enjoy cost advantages over other private and voluntary/independent homes not registered as charities solely on the basis of differences in ownership (Box 4.2). Prima facie, such cost differences could hinder the efficient operation of the market and potentially lead to higher prices and reduced value for taxpayers and consumers in the longer term if cost differentials based solely on ownership drives out of the market those firms who are not eligible for such exemptions and reliefs. But the potentially distortionary effects of these exemptions and reliefs can be weighed against the original rationale for their introduction – to support the beneficiaries’ capacity to carry out charitable work for the benefit of the community at large.
BOX 4.2 TAX EXEMPTIONS FOR CHARITIES

UK charities are exempt from the obligation to make Income Tax and Corporation Tax payments on most financial gains, so long as the receipts are used solely for charitable purposes. Assuming this condition can be satisfied (including via the provision of care home services), exemptions and relief may be offered to charities in a number of areas including trading profits and investment returns.60

Further, charities in the UK are exempt from paying taxes on capital gains (money earned through the sale or disposal of owned assets), as long as the proceeds are used only for charitable purposes. They also enjoy relief from business rates of at least 80 per cent vis-à-vis the usage of any non-domestic property used exclusively for charitable reasons. Moreover, they are exempt from making Stamp Duty Land Tax payments when purchasing property or a lease subject to this levy. Charities are not ordinarily exempt from making Value Added Tax (VAT) payments if they provide goods or services in return for monetary compensation but some qualify for VAT registration, which allows them to reclaim a portion of VAT proceeds.

Some care homes for older people are registered as charities and are therefore entitled to the tax exemptions and relief allowances mentioned above. This is because the 'relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage' is held to qualify as a 'charitable purpose'.61

60 Further details can be found on the HM Revenue & Customs (HMRC) website at www.hmrc.gov.uk/charities/tax/basics.htm.

61 Further details can be found on the Charity Commission website at www.charity-commission.gov.uk/Charity_requirements_guidance/charity_essentials/public_benefit/Relief_in_ne ed.aspx.
Summary of impacts

4.76 Box 4.3 draws together and summarises the changes that have occurred over the last five years in the care homes market on issues relating to the OFT’s market study recommendations.

BOX 4.3 CURRENT STATUS OF ISSUES ADDRESSED BY OFT RECOMMENDATIONS

Information provision

'Local authority care home directories should cover all care homes for older people in their area, including details of what the authority will pay for care and details of homes that require 'top-ups'.

- Of the 52 local authorities that responded to our question regarding the completeness of directories, 45 indicated that their directories cover all care homes for older people in their area. Although statistical differences between the 2005 and 2010 surveys are insignificant due to different response rates, the results of the 2010 survey suggest that the majority of local authorities provide complete directories of care homes in their area.

'All care home regulators should make their care home inspection reports available online, and make them more user-friendly. Care homes should provide new residents with a copy of the latest inspection report when moving into the home and inform residents when a new inspection report is available.'

- In research for this study, 84 per cent of care homes said that they provide new residents with the latest inspection report when moving into the home, while 92 per cent of care homes said that they inform residents when a new inspection report becomes available.

'Government should establish a central information source or 'one stop shop' for people to get information about care for older people.'

- The First Stop Care Advice website and helpline was established in 2008 with funding from the Government. Early indications suggest that use of the service is increasing and overall satisfaction is high. In addition, the Care Information Scotland website and helpline was developed by the Scottish...
Executive in response to the OFT recommendation that a 'one-stop shop' was needed. This service was set up as a direct result of the OFT market study.

Authority obligations

'Government to clarify guidance so that self-funded residents get the same level of advice and assistance from local authorities as publicly funded residents. Care homes regulators and inspectorates to monitor this.'

• Most local authority respondents (53 out of 62) surveyed for this study indicated that they provide the same level of advice and assistance to self-funded and publicly funded residents. In addition, some authorities provide increased assistance to self-funded residents in special cases (for example, lack of capacity to assist on the part of family members) at their own discretion.

'Authorities to ensure their guidance states that publicly funded residents don’t need to pay top-up fees.'

• In relation to top-up payments, the majority of local authority respondents (40 out of 61 or around two-thirds) indicated that they attempt to limit the existence or level (or both) of third party contribution charges levied by care homes. This proportion was unchanged from 2005.

Price transparency

'Care homes to provide pricing information promptly and prior to the older person making the decision to enter a home. Government amend the relevant regulations to include this as a requirement.'

• Seventy-nine per cent of care homes indicated that they provide detailed price lists to prospective residents when they are considering moving into a care home, a statistically significant increase from the 72 per cent of care homes who said likewise in 2005.

62 Local authorities were not asked this question in 2005.
Only 55 per cent of care homes indicated that they provide information to prospective residents (when they are considering moving into a care home) on the 'circumstances under which fee increases are calculated'. Although this represents a statistically significant fall from the 63 per cent of homes that said the same in 2005, the results of the survey need to be viewed with caution. Information on fee changes may be included in the care homes' 'detailed price lists' and/or care homes may have interpreted this question to refer to the calculation of the fee increase (rather than the provision of information on the possible scale and timing of increases), making the change since 2005 less conclusive (and concerning) that it might appear at first sight.

Indeed, 90 per cent of our mystery shopping callers were able to obtain information on fee levels, including 85 per cent who obtained information on fee changes (a statistically significant increase from 66 per cent in 2005) and 86 per cent who obtained information on top-up fees (rising from 71 per cent in 2005).

Overall, we conclude that the provision of basic information on care home fees and top-ups seems to have improved since the OFT’s study.

Contracts

'Care homes for older people ensure urgently that all their residents are provided with written contracts or statements of terms and that care home regulators and inspectorates monitor this.'

Research for this study paints a positive picture of progress in relation to contracts. Approximately 94 per cent of care homes said that they provide residents with a contract and/or statement of terms and conditions in the care home. This represented a statistically significant improvement on the 82 per cent of care homes that said the same in 2005.

'The Department of Health to amend legislation and guidance to ensure local authorities pay the full cost of care (including any top-up, which it can then recover from the third party payer).'
This recommendation was rejected by the UK Government and devolved administrations.

'OFT to alert care homes to guidance on the Unfair Terms in Consumer Contracts and also its guidance on unfair terms in care home contracts. OFT to continue to take enforcement action where appropriate.'

Fifty-four per cent of care homes surveyed were aware of the Unfair Terms in Consumer Contracts Regulations of which 15 per cent were made aware as a result of OFT activity, either enforcement action or guidance.

'OFT to support and contribute to the guidance and model terms for Authority contracts that were being developed by the Department of Health and by the devolved administrations at the time of the market study.'

Joint work was not taken forward by health departments.

Complaints

'Care home regulators across the UK should improve their collection and use of complaints data.'

All regulators now collect and publish data on care homes complaints.

'Care home regulators should produce an easy-to-understand document that provides practical information about the redress avenues open to them. Regulators should provide care homes with this information and monitor that homes include it as an annexe to the older person’s contract or statement of terms and signpost it in suitable places in the care home. Department of Health and the devolved administrations should amend the relevant regulations to include this requirement.'

Sixty-one per cent of respondents to our care homes survey said they provide information on complaints procedures within the resident’s contract or statement of terms and conditions. A similar proportion said they use posters and other information around the home to provide information on complaints procedures. In the absence of data from 2005 against which to compare these figures, we can only conclude that there remains scope for greater consistency in the provision of information on avenues for redress.
The Department of Health and the devolved administrations should run pilot projects to measure the benefits to older people, care homes and Authorities of advocacy services being provided to older people entering or living in care homes as well as the costs of providing such services.

- Discussions with Government officials in England and the devolved administrations suggest that although some further joint work has been taken forward in this area, the provision of advocacy services differs across England and the devolved administrations.

'Care home regulators should make public the outcome of non-trivial substantiated complaints about care homes by including a short summary with key information in inspection reports.'

- Outcomes of non-trivial substantiated complaints are frequently published as a routine part of a care home’s inspection report.
5 CONSUMER IMPACTS

5.1 This chapter attempts to identify, and quantify, where possible, the impact of the OFT’s recommendations on consumer welfare.

5.2 Although the market study was supported by OFT enforcement action, particularly in relation to Unfair Terms in Consumer Contracts Regulations (UTCCRs), we believe that the OFT’s original market study and investigation into the behaviour of care homes should be viewed as the impetus for subsequent enforcement action and the main source of benefits in consumer welfare that flowed as a result. As such, we attribute the impacts described below to the OFT’s market study.

Quantifying consumer benefits

5.3 A core aspect of this evaluation was to identify and, where feasible, estimate changes in market outcomes for consumers and determine the extent to which these are attributable to the OFT’s market study recommendations.

5.4 The OFT has published guidance on estimating consumer impacts\(^{63}\) which describes the type of financial benefits to consumers that might arise from a market study. The benefits described in paragraph 2.4 of the guidance include:

- a decrease in price
- improvements in quality, range or service that can be monetised
- time savings that can be monetised, and
- gains arising from being able to make better informed choices about what goods to purchase.

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5.5 GHK has attempted as far as possible to derive monetary-equivalent measures of consumer impacts through 'bottom-up' calculations of impacts. However, such an exercise raises both practical and theoretical challenges given that the greater majority of consumer impacts concern non-price impacts, which can be intangible and difficult to monetise.

5.6 In addition, there are further challenges regarding the quantification and monetisation of direct consumer impacts in this case:

- **Gathering the evidence needed to inform estimation of consumer impact metrics is difficult.** Consumer impact can be estimated using different methods and metrics. However, the scarcity of existing research and evidence of such estimates (either in this or related markets), and the limited capacity of many of the affected consumers to estimate such impacts, mean that gathering meaningful and credible estimates of the component variables for consumer impact metrics is extremely challenging.

- **There is no baseline measure of consumer detriment against which to compare today’s situation.** The original OFT market study did not estimate or quantify the amount of consumer detriment in the market in 2005. This creates a dual challenge as it does not establish a method of estimating consumer detriment and consumer benefits, and it does not provide baseline data against which we can compare evidence of consumer impacts in 2010.

- **Attributing causality for consumer impacts to the OFT’s market study.** A challenging aspect of any ex post evaluation is to determine whether a change in market outcome is caused by or simply correlated with a change in policy in order to establish a meaningful counterfactual. GHK used its fieldwork to try to ascertain the response of market participants to the OFT's recommendations and to establish linkages between market changes and recommendations, but the fragmented nature of the sector and the number of concurrent changes (in demographics, market conditions and government policy) makes it extremely difficult to establish clear causal links. However, in the absence of other identifiable factors
and given that our research focuses on those areas where the OFT interventions have been the main driving force behind changes in market outcomes, we treat the state of the market in 2005 as our counterfactual for the purposes of this evaluation and, therefore, attribution to the OFT’s market study is implied.

5.7 Regardless of these challenges, we analyse, and quantify where possible, the impacts to consumers of the OFT’s market study. In arriving at these consumer impacts, we have drawn on the outcomes of our fieldwork and a literature review of relevant academic sources, particularly for the health and social care markets. The consumer impacts reported below are linked to evidence, based on clear assumptions, and involve conservative estimates of impact.

5.8 All estimates should be viewed as a point-in-time snapshot only. The scale of improvements in consumer welfare presented below will continue to accrue at a similar scale in future years.

5.9 Finally, estimates should not be interpreted as a net benefit calculation or a full cost benefit analysis. They are instead intended to monetise as far as is practicable the cumulative impacts of the OFT’s market study on consumers since 2005 and should be viewed as a partial indicator of impact.

Care home fees

5.10 Prima facie, changes in care home fees might be expected to occur as a result of increasing the transparency of information on those fees, among other information improvements. This information would help to empower consumers to place a greater discipline on firms that might otherwise have opportunities to set prices at a level which earns them profits that are in excess of what might be expected in a competitive market with perfect information. This can occur in the following ways:

- price transparency can contribute to price competition (and lower prices) by providing prospective care home residents with comparable fee information at the time of making an initial choice of care home, and
• price transparency can contribute to price competition (and lower prices) by providing existing care home residents with comparable fee information that may influence their decision to switch care home.

5.11 However, in a market such as this where consumer switching is either rare or non-existent\(^6^4\) (and care home residents do not have an 'exit voice' in the same way as in other markets where switching is easier), the role of price transparency in driving price competition through increased switching is constrained.

5.12 Attempts to estimate the impact of increased price transparency for prospective care home residents on price competition (and resulting care home fees) are hampered by the dynamic nature of the care homes market. Specifically, the many changes that have occurred since 2005 in the care homes sector create challenges for building a counterfactual view of what fee inflation might have been in the absence of the OFT's market study. One method for informing the construction of a counterfactual picture of care home fees is to observe fee inflation in other public markets that use a similar input mix (and, hence, face similar cost pressures).\(^6^5\)

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\(^6^4\) Where an individual has dementia, switching is even less likely as this can be extremely disruptive to a resident’s life. This emphasises the importance of getting the decision right the first time for most residents and the relevance of information provision before the decision takes place, as highlighted by the OFT recommendations.

\(^6^5\) There are challenges, however, associated with such an approach given that it is difficult to identify and control for interventions within these sectors that may intentionally or unintentionally impact upon information provision and price transparency. Further, consideration would need to be taken of differences in funding arrangements, consumer characteristics and other factors between the two sectors that limit the degree of comparability. For these reasons, information on other sectors is merely used to inform our analysis and we present available evidence on changes in care home fees since 2005 and make observations on what we believe has driven these changes and the extent to which fee changes can be linked directly to the OFT’s recommendations.
5.13 The average annual increase in the weekly fees for nursing homes since 2005/06 (the approximate time at which the OFT completed its market study) was 4.0 per cent while the corresponding figure for residential care homes was 4.6 per cent. Comparing this fee inflation with inflation in other goods and services as well as wage inflation\textsuperscript{66} provides additional context for the analysis of the scale of change in care home fees in recent years. Figure 5.1 presents trend analysis for care home fee inflation vis-à-vis Retail Price Index (RPI) inflation and wage inflation over the last two decades. Other than the period between 2000 and 2008, it shows that changes in average care home fees have generally tracked quite closely to changes in RPI and average hourly female wages since 1990 which suggests, prima facie, that the scale of changes in prices for care homes over that period has not been excessively high, at least when compared against changes in RPI as well as wage inflation. It also shows that the rate of care home fee inflation has generally been in decline since 2005 and, although the rate of fee inflation did increase in the last financial year, it still remains below the rate of RPI inflation.

\textsuperscript{66} Based on the change in average hourly wages for women given that relatively more women enter care than men.
5.14 Analysis by Laing & Buisson\textsuperscript{68} suggests that there have been three main phases in relation to the evolution of care home fees over the last two decades:

- mid 1990s to around 1998/99 – fee inflation generally tracked below inflation as the sector struggled with overcapacity and low occupancy rates and as local authorities took advantage of this weakness to limit baseline fee increases to RPI

- 1999/00 to around 2008/09 – fee inflation exceeded inflation as spare capacity was eliminated by the exit of many smaller care home owners and local authority baseline fees rose significantly, and

\textsuperscript{67} Laing & Buisson (2010-11), \textit{Care of Elderly People: UK Market Survey 2010-11}, Twenty-third Edition, London. Note: average weekly fees have been weighted for shared and single rooms in each case (nursing homes and residential homes).

• 2008/09 to today – more modest fee inflation as local authority budgets and baseline fee increases have been cut and as private fee increases have (since 2009) been moderated by the economic downturn.

5.15 The main conclusion to be drawn from available market data on care home fee inflation is that changes in residential and nursing home fees have broadly followed developments in RPI and wages over the past two decades. Further, given the trend in fee inflation vis-a-vis RPI and wage inflation since 2005, the OFT’s market study does not appear to have had any material impact on care home costs and fees.

5.16 This is broadly confirmed by our care home survey, with only three per cent of respondents suggesting that their prices had changed over the last five years in response to the recommendations of the OFT report. Of this three per cent, two per cent (equivalent to eight care homes) suggested the level of prices had changed (Figure 5.2). However, only two of these eight care homes could estimate the scale of change in prices.

5.17 In summary, the evidence suggests that changes in care home fees since the OFT published its market study are likely to have been driven predominantly by cost inflation and market demand rather than either downward pressure arising from improved information provision for consumers or upward pressure arising from any increased business burden due to requirements for care homes to provide additional information. Arguably, this is not a surprising outcome given that non-price aspects of service (such as the location and quality of the care home) are considered as crucial by consumers and might result in competition taking place on factors other than price. It is, however, reassuring that the recommendations from the market study do not seem to have resulted in a significant burden or cost pressure on care homes that one would expect to see reflected in higher fees.
Care home quality

5.18 This section discusses changes in quality of care homes since 2005 and the extent to which these can be linked to the OFT’s study. It also examines and applies available methods for monetising quality changes.

5.19 Changes in the quality of care homes might be expected to occur as a result of increasing the transparency and availability of information on care home quality, including through inspection reports and complaints data. However, other factors – such as regular care homes inspections – also will have played an important role in driving up standards and quality in care homes.

5.20 The approach we use here to examine and monetise changes in care homes quality since 2005 involves the following steps:

- **Quantify the change in care homes quality since 2005.** The first step is to determine to what extent care homes quality has improved

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69 GHK survey of care homes (375 respondents).
since 2005. Care homes regulators provide data and information on the quality of care homes. Each regulator measures and quantifies quality slightly differently and in some areas (such as England) the approach is currently undergoing changes. However, given that the majority of care homes (around 78 per cent) are located in England and that annual data are available on the performance of English care homes against the National Minimum Standards (NMS) since 2003, we use this metric as a proxy for changes in the quality of all UK care homes since 2005.

- **Establish the extent to which quality improvements are due to the OFT.** The next step is to determine the extent to which improvements in quality can be attributed to the OFT's report (and associated enforcement action). We included questions within our care homes survey to help determine the impact of the OFT report on changes in quality since 2005.

- **Monetise improvements in quality that can be attributed to the OFT.** The final step is to apply a monetary value to the marginal improvement in care homes quality.

The paragraphs below present this analysis in further detail.

Changes in care home quality since 2005

5.21 Data from the CQC indicate that the performance of care homes against the NMS has risen year-on-year since 2005 (Figure 5.3). The average

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70 Under the Care Standards Act 2000 (under which care homes regulation has now ceased with the coming into force of the Health and Social Care Act 2008), the quality of the care market was assessed through performance against the National Minimum Standards (NMS) and later through quality ratings, both of which were the results of site visits carried out by CQC (and formerly CSCI) inspectors. The CQC continues to inspect all regulated social care services against the NMS. Each type of service had its own set of standards, representing a level of good practice below which no service is expected to operate. For each standard, services received a score of 1, 2, 3 or 4. The definition of these scores is: 1 = Not meeting standard with major shortfalls; 2 = Not meeting standard with minor shortfalls; 3 = Meeting standard; 4 = Exceeding standard.
The extent to which quality improvements are due to the OFT

5.22 To determine what proportion, if any, of these quality improvements since 2005 can be attributed to the OFT’s market study and subsequent interventions, we asked care homes two key questions in our survey.

5.23 First, we asked care homes whether changes in their policies and procedures that had come about as a direct result of the OFT’s recommendations had impacted upon the quality of the care home’s service. Figure 5.4 shows that 46 per cent of care home respondents suggested that the quality of their care home had improved as a result of

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policy changes driven by the OFT's market study while less than one per cent of care homes (only two care homes) suggested that quality had declined.

**FIGURE 5.4** PROPORTION OF CARE HOMES THAT SAY QUALITY CHANGED DUE TO CHANGES IN THEIR POLICIES/PROCEDURES OVER THE LAST 5 YEARS AS A DIRECT RESULT OF THE OFT’S RECOMMENDATIONS72

![Pie chart showing the proportion of care homes that say quality changed due to changes in policies/procedures over the last 5 years as a direct result of the OFT’s recommendations.]

5.24 Second, we wanted to determine whether these changes in policies and procedures would have occurred in the absence of the OFT report. Figure 5.5 shows that eight per cent of respondents felt that these changes in policies and procedures would not have occurred had it not been for the OFT market study. This gives us an estimate of the ‘additionality’ of the OFT market study.

72 GHK survey of care homes (375 respondents).
FIGURE 5.5 PROPORTION OF CARE HOMES THAT SAY CHANGES IN THEIR POLICIES/PROCEDURES AS A DIRECT RESULT OF THE OFT’S RECOMMENDATIONS WOULD OR WOULD NOT HAVE OCCURRED ANYWAY

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Yes - would have happened anyway</td>
<td>67%</td>
</tr>
<tr>
<td>Yes - would have happened later</td>
<td>16%</td>
</tr>
<tr>
<td>No</td>
<td>8%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>8%</td>
</tr>
<tr>
<td>Refused</td>
<td>1%</td>
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</tbody>
</table>

5.25 Combining these metrics provides us with a conservative estimate of the additionality and causality of the OFT’s study in relation to quality improvements. It could be the case that some of the 46 per cent of care homes that linked quality improvements with changes in policies/procedures that resulted from the OFT’s recommendations may have been thinking of a wider range of policies and procedures (some of which were not directly impacted by the OFT). However, the estimate we use remains a conservative one. This is because it disregards quality improvements that the OFT’s market study was responsible for bringing forward (to an earlier point in time than would have been the case in the absence of the market study). Finally, we disregard the responses of two care homes that suggested quality had declined as a result of these policy changes – this is because its effect on our estimate will be close to zero.

73 GHK survey of care homes (375 respondents).
5.26 Multiplying these two figures (46 per cent and eight per cent) gives us a figure of 3.7 per cent which we use to represent the proportion of any changes in care homes quality since 2005 that are due to the OFT’s recommendations and would not have occurred in the absence of the OFT study.

Monetising improvements in quality that can be attributed to the OFT

5.27 With an estimate of the scale of the impact the OFT’s study had on care homes quality between 2005 and 2010, the next step is to monetise this impact.

5.28 Monetising changes in the quality of care home services is challenging from both a theoretical and practical perspective. While research on monetising improvements in quality is limited, the Personal Social Services Research Unit (PSSRU) at the University of Kent has undertaken research on valuing outputs and quality changes associated with social services, with a specific application to the provision of home care for older people (Box 5.1).

BOX 5.1 MONETISING QUALITY GAINS IN ADULT SOCIAL CARE

The Personal Social Services Research Unit (PSSRU) at the University of Kent published work in 2006\(^4\) which aimed to inform an approach to quantifying in monetary terms quality gains in the provision of home care for older people.

This work was part of a broader research programme focused on measuring the outputs of personal social services. The approach involves distinguishing what services could provide to consumers (the 'capacity for benefit') from the quality of what those services provide to consumers in practice. By attaching a financial valuation to 'capacity for benefit', the PSSRU attributes a monetary valuation to changes in the quality of service provision which it measures through service user experiences of (and satisfaction with) their care.

The 'capacity for benefit' reflects the impact of the service being provided. It represents the difference between the best possible quality service being provided and the service not being provided at all. The PSSRU defines eight areas of outcome/attributes of capacity of benefit: personal dignity and comfort; safety; control over daily life; accommodation cleanliness and comfort; food and nutrition; occupation; social participation and involvement; and dignity.

Monetary weights are used to identify a financial valuation of capacity for benefit. To determine these monetary weights, the PSSRU undertook a survey using discrete choice experiments which generated estimates of the value that people place on the outputs of social services. Essentially this involved varying levels of the above areas of outcome and ascertaining from respondents the amount of money that they would require to compensate them in return.

Using this approach, the PSSRU estimated a national average value of 'capacity for benefit' (related in this case to hours of home care received) of £729 per person per week assuming the individual's needs were met and perfect service quality.

The next step was to estimate the value of what is actually delivered by applying a quality weighting. The PSSRU derive this quality rating from responses to a survey. It was based on overall consumer satisfaction with the quality of the services delivered. The national average value for satisfaction provided by respondents to the survey was 63.2 per cent.

The PSSRU combines these two measures to estimate the value of home care services: £729 x 0.632 = £461. Therefore, the quality-adjusted value of providing home care services is equivalent to £461 per person per week.

Financial valuations of a change in quality can then be generated via corresponding changes in the level of satisfaction.

5.29 We attempt here to derive a monetary value for the provision of care home services by drawing on the work of the PSSRU. We use the approach described above (combining metrics for the 'quality' and 'value' of a service to determine a 'quality-adjusted value') but we vary the metrics used:
• Method 'A' metrics:75
  
  o quality – we use data on the performance of English care homes against the National Minimum Standards (NMS) as our proxy measure of the quality of all UK care homes, and
  
  o value – we use average care home fees as our proxy measure of the value consumers put on care homes.

• Method 'B' metrics:
  
  o quality – we use the same quality metric as Method 'A', and
  
  o value – we use the PSSRU metric of value (a figure of £729) which represents an individual’s stated willingness to accept (WTA) compensation for a one-week reduction in service provision.

5.30 Under Method 'A', we use data published by Laing & Buisson on average fees for nursing homes and residential care homes to derive an average weighted76 care home fee in 2005/06 of £482 per person per week and we use this as a conservative estimate for the value of a care home place over the entire period 2005/06 to 2010/11. We keep this figure constant to avoid capturing cost inflation or other factors that impact care home fees. We can then combine this figure with those presented earlier on quality to derive an estimate of the value of the change in quality that has occurred since 2005 (Table 5.1).

75 We depart from the PSSRU metrics under Method 'A' (and for quality under Method 'B') because we believe that NMS and care home fees are more relevant for measuring the quality-adjusted value of a care home service. The PSSRU metrics relate to home care services rather than care home services and it was beyond the scope of this evaluation to try and replicate this methodology to derive similar estimates for care homes. However, the PSSRU metric for value is used under Method 'B' largely as a form of sensitivity analysis and cross-examination.

76 The average care home fee has been weighted according to the relative numbers of older people in residential care homes and nursing homes.
**Table 5.1 Deriving a Monetary Estimate of the Change in Care Homes Quality Since 2005 as a Result of the OFT Study**

<table>
<thead>
<tr>
<th>Year</th>
<th>Average care home fee per person per week (F&lt;sub&gt;2005&lt;/sub&gt;)</th>
<th>Proportion of NMS met or exceeded by care homes (Q&lt;sub&gt;2005&lt;/sub&gt;)</th>
<th>Average quality-adjusted care home fee per person per week (QAF&lt;sub&gt;2005&lt;/sub&gt; = F&lt;sub&gt;2005&lt;/sub&gt; x Q&lt;sub&gt;2005&lt;/sub&gt;)</th>
<th>Care homes population (P&lt;sub&gt;2005&lt;/sub&gt;)</th>
<th>Total annual quality-adjusted value of care homes provision (AV&lt;sub&gt;2005&lt;/sub&gt; = QAF&lt;sub&gt;2005&lt;/sub&gt; x P&lt;sub&gt;2005&lt;/sub&gt; x 52 weeks)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>£482</td>
<td>77%</td>
<td>£371</td>
<td>421,000</td>
<td>£8.1bn</td>
</tr>
<tr>
<td>2010</td>
<td>£482</td>
<td>86%</td>
<td>£414</td>
<td>419,000</td>
<td>£9.0bn</td>
</tr>
</tbody>
</table>

**Change in total annual quality-adjusted value of care homes provision between 2005 and 2010 (ΔAV = AV<sub>2010</sub> − AV<sub>2005</sub>)**

<table>
<thead>
<tr>
<th>Proportion of quality changes attributable to the OFT’s study (OFT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.7%</td>
</tr>
</tbody>
</table>

**Monetary Value of Change in Care Homes Quality Since 2005 Due to the OFT’s Study (MV = ΔAV x OFT)**

<table>
<thead>
<tr>
<th>Monetary Value of Change in Care Homes Quality Since 2005 Due to the OFT’s Study (MV = ΔAV x OFT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>£33m</td>
</tr>
</tbody>
</table>
5.31 Table 5.1 suggests that the OFT’s market study has led directly to quality improvements in the order of an average £6.6 million annually.\(^{77}\) This is an approximate monetary estimate based on a number of assumptions and should be viewed as an estimate of the order of magnitude of the average annual benefits for consumers and treated with a degree of caution. However, it is also a very conservative estimate given there are a number of observable (but unquantifiable) benefits which point to overall improvements in outcomes for care home residents.

5.32 Using Method ‘B’ provides an additional estimate based on the PSSRU capacity for benefit metric to value care homes services. The PSSRU estimated a national average value of ‘capacity for benefit’ (related in this case to hours of home care received) of £729 per person per week. If we apply a quality weighting to that figure (based on the proportion of care homes meeting NMS in 2005 – 77 per cent), this suggests a quality-adjusted value of providing home care services equivalent to £561 per person per week (£729 x 77 per cent). This is equivalent to £12.3 billion annually when adjusted for the size of the care homes population in 2005. Given the proportion of care homes meeting NMS in 2010 rose to 86 per cent, this suggests an annual quality-adjusted value of care homes in 2010 of £13.7 billion. The rise in this value between 2005 and 2010 (£1.4 billion) multiplied by the amount that we estimate quality has changed as a result of the OFT’s study (3.7 per cent)

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\(^{77}\) Although this is a simple average, the change in the proportion of NMS met or exceeded by care homes observed over this period was relatively linear (that is, the improvement in care homes quality was around two percentage points per annum and, hence, relatively constant) and, therefore, the profile of actual changes in the monetary value of quality improvements each year will approximate the average change each year.
suggests that the OFT impact on quality could be valued at around £52 million or an average in excess of £10 million annually.

5.33 Our analysis shows that the value of quality improvements which could be attributed to the OFT’s study could be in the order of an average £6 million to £10 million annually. However, on balance, we believe that average care home fees (used under Method ‘A’ above) offers a more appropriate and conservative proxy measure for monetising quality improvements and so the actual benefits accruing to consumers since 2005 are more likely to be at the lower end of this range. These benefits will continue to accrue at a similar scale in future years.

**Time savings**

5.34 Time savings could be expected to have occurred as a result of improvements in consumer information. Where this information is used actively by consumers when making informed choices about their care home arrangements, and to the extent such choices can be made more rapidly (especially where improved information provision facilitates consumer comparisons across different service offers), then it is reasonable to expect that time savings will have resulted. Such time savings can then be combined with a monetary value of a unit of time (such as average hourly wages) to determine the value of changes that have resulted in information improvements and time savings.

5.35 In theory, there are three options for quantifying the time savings experienced by prospective care home residents and/or their representatives as a result of improved information provision:

- **Compare the time taken to make a care home choice based on information from 2005 and 2010** – current care home residents could be asked how long it took them to decide on choosing a care home and responses could be compared with what care home residents said in 2005. However, baseline estimates for 2005 are not available given that care home residents were not asked this question as part of the OFT’s original study.
• **Compare the time taken to make a care home choice for those individuals who have been involved in the process more than once** – individuals (such as family members or friends) that have assisted more than one older person into a care home but some years apart could be asked to estimate the time they took in each case. This would allow some measure of changes in the time taken over a period of time to be estimated. However, such responses would capture the learning effects that the individual had gained from going through the process once before. There is also a significant practical constraint in trying to identify such people in practice.

• **Compare the time taken to make a care home choice for different individuals based on responses given in 2010** – the third and final option would be to speak to residents that recently entered a care home and compare the time it took them to make their decision with the time taken by residents who entered a care home closer to 2005. But given the short average duration of a stay in a care home, finding residents that went through the process many years ago and who are able to recall with clarity and certainty the time it took them to make their decision is highly problematic. Account would need to be taken also of the different circumstances in which each may have made their decision (for example, to ensure a like-for-like comparison).

5.36 An alternative method of valuing information improvements is to estimate an individual’s willingness to pay for these improvements.

5.37 GHK attempted to ascertain information on time savings and willingness to pay from care home residents and their representatives by including questions on these issues as part of our consumer research. However, as alluded to earlier, our fieldwork with care home residents was extremely challenging for eliciting the information necessary to inform estimates of such consumer impacts.

5.38 As an alternative approach, we considered whether the ongoing evaluation of the First Stop Care Advice service by the University of Cambridge had developed any estimates of time savings that have
resulted from the improved access to information that such a service facilitates, but no such estimates have been made.

5.39 Although quantitative estimates of consumer impacts in the form of time savings are not possible, our research has generated qualitative information on related benefits to consumers including improved consumer confidence in the decisions made on the basis of available evidence. The aforementioned evaluation of the First Stop Care Advice service\(^78\) suggests that 73 per cent of those that used the service felt more confident about the decisions they subsequently made. This evaluation has also gathered qualitative information from those who used the service based on the impact they felt it had on the time they spent looking for information on care homes:

'If I had not known about First Stop, I would have spent a lot of time ringing round different places. I wanted to find out about nursing care or care homes for my aunt.'

'I spent too much time trawling web sites trying to find things. With the First Stop telephone line you get instant advice, which was great as both parents have different needs.'

5.40 These benefits can be attributed directly to the OFT’s market study given that a key recommendation of the OFT in 2005 was to establish a one-stop shop information source for which the market responded by developing First Stop Care Advice. As such, there seems to be reliable qualitative evidence that there have been significant time savings resulting from the implementation of the recommendations arising from the OFT market study. The value of these time savings cannot be

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underestimated given that they occur at a time that can be particularly challenging and stressful for the older person and/or their representative.

**Consumer switching**

5.41 Consumer markets characterised by high rates of switching activity can signal the extent to which consumers are able to make informed comparisons between service providers and freely choose providers on the basis of the best service offer and value for money associated with the consumer’s needs. However, in the care homes market, switching between care homes is rare and, arguably, low incidences of switching are more likely to reflect the disruptive effects of such a change on the individual.

5.42 Quantitative estimates of the scale of consumer switching in the care homes market do not exist which reflects the nature of the market and length of stay. In general, our consumer research illustrated that where residents and their representatives deem switching care home to be a realistic proposition, it is very much viewed as the last resort.\(^{79}\) For these reasons, information on consumer switching presented here is limited to qualitative analysis arising from our consumer research.

5.43 The majority of care home residents and their representatives we interviewed felt that switching care home either was not a realistic possibility or was something that they were largely unaware was possible:

>'I didn’t think I could move him from the home. I didn’t know I could do that and I kick myself that I could do that and I didn’t.'

>'Most people don’t know their rights. I wish they did.'

\(^{79}\) Where an individual has dementia, switching is even less likely as this can be extremely disruptive to a resident’s life. This emphasises the importance of getting the decision right the first time for most residents and the relevance of information provision before the decision takes place, as highlighted by the OFT recommendations.
5.44 A small number of older people’s representatives and residents that we interviewed had moved from another care home. In these cases the moves had resulted from very poor treatment (which resulted in multiple trips to hospital) or a high level of dissatisfaction with overall standards. However, in these cases, the care home resident received significant assistance in switching homes (from a social worker and/or a close family member). It is unlikely the switch would have been possible without this assistance.

5.45 In general, our consumer research illustrated that where residents and their representatives deem switching care home to be a realistic proposition, it is very much viewed as the last resort. Where an individual has dementia, switching is even less likely as this can be extremely disruptive to a resident’s life. This emphasises the importance of getting the decision right the first time for most residents and the relevance of information provision before the decision takes place, as highlighted by the OFT recommendations.

Complaints and consumer redress

5.46 Establishing causal links between changes in care home complaints and the OFT’s market study is challenging. There is no clear evidence linking the study and movements in complaints, nor is there a clear hypothesis on which such links could be built. For instance, it could be argued that the OFT’s market study should lead to a fall in complaints if improved information provision facilitates better consumer decision making. However, it could also be argued that complaints volumes should be expected to rise in line with increased consumer awareness about complaints mechanisms regardless of how informed or satisfied consumers are.

5.47 Despite these data limitations that prevent us from deriving a monetary estimate for a marginal reduction in complaints, we note here instead the improvement in complaints outcomes for care home residents since 2005 in qualitative terms.
5.48 Data from the CQC on care home complaints are presented in Figure 5.6. Discounting the final year of data (for which counting rules changed), data show that complaints have fallen steadily year-on-year since 2004. Overall complaints volumes fell by around half (or 11,558 complaints) between 2004 and 2007. Of the complaints that were lodged over that period, fewer than 20 per cent were upheld.

5.49 Over a period when care homes have taken steps to make residents more aware of their rights and redress mechanisms, the fall in complaints volumes is particularly encouraging.

**FIGURE 5.6 NUMBER OF CARE HOME COMPLAINTS, 2004 TO 2009**

![Number of Care Home Complaints, 2004 to 2009](image)

**Value for money and overall financial impacts**

5.50 This section presents evidence on the overall value for money and financial costs and benefits generated as a result of the OFT’s study.

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[^80]: Care Quality Commission (2010), Number of complaints received about care homes for older people: 1st April 2004 to 31st March 2009, [online], Available at [www.pulsetoday.co.uk/Journals/Medical/Pulse/2010_Sepember_29/attachments/CQC.pdf](http://www.pulsetoday.co.uk/Journals/Medical/Pulse/2010_Sepember_29/attachments/CQC.pdf), Accessed 11 January 2011. Note: figures decrease from 01/04/08 as CSCI (CQC’s predecessor) ceased to the investigatory body for complaints.
Financial costs associated with the OFT’s market study

5.51 We attempted to estimate regulatory costs to care home businesses and any administrative costs to Government, regulators and local authorities associated with the OFT’s market study recommendations. However, estimating such costs is made extremely challenging by the multiplicity of different agents in this sector (including four health departments, four care homes regulators, 214 local authorities and more than 18,000 individual care homes) all of whom are responsible to differing degrees for responding to the OFT’s recommendations and driving change within the sector.

5.52 While we have some cost data associated with a limited number of the OFT’s recommendations (such as £1 million of funding from the Department for Communities and Local Government to expand the First Stop Care Advice service), it is generally patchy and incomplete.

5.53 We looked to gather evidence of any indirect or unintended costs that were generated as a result of the OFT’s study. Our fieldwork with care homes found that around 30 per cent of respondents believed that changes in the home’s policies or procedures that resulted from the OFT’s recommendations created an additional cost or burden on the home. However, care homes were unable to quantify the scale of any increase in costs that had arisen.

5.54 Given the fragmented nature of the sector, the different rates of progress within it in terms of responding to the OFT’s recommendations and the lack of sound data on the costs of implementing the recommendations, we are unable to quantify with any certainty the full costs associated with implementing the OFT’s recommendations across the market.

Financial benefits associated with the OFT’s market study

5.55 We have attempted within this chapter to monetise impacts wherever possible and to present qualitative information on consumer impacts where monetisation is not possible.
5.56 As a result of our work on consumer impacts, the main area where a financial estimate of impact could be derived was in relation to quality improvements in care home service provision that care homes indicated resulted directly from the OFT’s market study.

5.57 In the absence of a more developed research base and a better alternative measure, we presented two transparent and conservative approaches for monetising changes in care homes quality which suggest that the average annual value of these improvements since 2005 might be in the order of £6 million to £10 million, with the actual benefits accruing to consumers over this period more likely to be at the lower end of this range.

Value for money

5.58 The scarcity of evidence on the full costs of implementing the OFT’s recommendations combined with limitations in monetising what are predominantly non-price dimensions of service means that deriving a meaningful benefit-to-cost ratio associated with the OFT’s market study is not possible.

5.59 However, despite data limitations preventing us from comparing financial benefits with costs, we make the following observations regarding the estimated scale of cumulative consumer benefits (around £30 million-£50 million or £6 million-£10 million annually since 2005) and overall value for money associated with the OFT’s market study:

- **Estimating consumer benefits** – the estimated improvement in consumer welfare that it was possible to monetise (around £6 million and £10 million annually since 2005) represents a partial estimate only of the full range of consumer benefits arising from the OFT’s market study. Limited quantitative evidence of consumer impacts due to restrictions in available data should not be seen as a reflection of the limited benefits that have accrued to consumers over that period. Rather, quantitative estimates should be viewed alongside significant qualitative evidence of benefits to consumers contained within this evaluation, including:
o **Improved choice and convenience to consumers when faced with a decision about their care home arrangements** – for example, the provision of information to consumers (including example contracts and inspection reports) has improved and has been made more easily accessible through the development of one-stop information sources such as the First Stop Care Advice service.

o **Improved avenues for consumer redress and reduced complaints over time** – for example, complaints procedures for self-funded residents have been brought in line with those that were already in place for publicly-funded residents and we have witnessed a significant fall in overall care home complaints since 2005.

o **Improvements in the confidence of care home residents and their representatives in the care home decisions they make** – for example, the residents and relatives with whom we met reported high levels of confidence in (and satisfaction with) the care arrangements they had chosen and users of the First Stop Care Advice service (which was directly attributable to the OFT’s market study) were more confident about the decisions they subsequently made.

• **Contextualising consumer benefits** – in absolute terms, a cumulative range of around £30 million to £50 million (equivalent to an average annual figure of around £6 million to £10 million) for the order of magnitude improvements in care homes quality arising from the OFT’s study may be considered substantive. And although the estimated benefit might appear low in the context of the overall value of the care homes market (£14 billion annually\(^81\)), it is a very conservative estimate given it represents a partial snapshot only. Further, in the context of a sector characterised by vulnerable consumers, improvements in their welfare of the scale reported here should be welcomed.

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• **Ongoing consumer benefits** – as alluded to above, the consumer impacts identified in our evaluation should be viewed as a point-in-time snapshot only. Improvements in consumer welfare presented here will continue to accrue at a similar rate (around £6 million to £10 million) in future years.

5.60 On the basis of the (somewhat limited) information on costs and our partial estimates of financial benefits accruing to consumers, the overall benefit to cost ratio (and, hence, value for money) associated with the OFT’s market study seems unquestionably to be well in excess of the 5:1 target that is part of the current OFT’s Spending Review commitments.

5.61 In summary, qualitative and quantitative evidence and analysis surrounding changes in the care homes market, and the extent to which these changes have been driven by the OFT’s market study, point to improvements in the welfare of care home residents since 2005. The increased ability of older people and their representatives to access information on care homes, combined with improvements in the nature of that information, indicates that older people who are seeking care within a residential or nursing home setting are better placed now than in 2005. Our evidence suggests that outcomes have improved and continue to improve as the market implements changes in the information it provides to prospective and existing residents on their options and their rights.
6 CONCLUSIONS AND FURTHER INSIGHTS

Concluding remarks

6.1 Our evaluation of the impact of the OFT’s care homes market study finds a generally positive picture of progress and change in the market since 2005. On the basis of the evidence we have gathered, triangulated and analysed from primary and secondary research, we make the following observations:

- There have been a number of changes in the care homes market over the last five years which reflect longer-term trends in supply and demand driven largely by demographic changes. Those entering care homes today are far more likely to be older and more dependent on the assistance of third parties in arranging their care needs than at the time of the OFT’s study. Furthermore, care home residents are more likely to be funding their own care and, hence, are more likely to be arranging their own care home place (with the help of relatives or friends).

- The provision of clear and timely information on care homes is more important than ever. With increasing rates of disability and dependence among those entering care homes, the ability of family and friends to make informed decisions quickly about the care home arrangements of an older person relies upon their ability to access clear and detailed information on the choices available.

- The response to the OFT’s market study recommendations may, in part, reflect the relatively fragmented structure of the care homes market and the range of stakeholders and associated interests. In relation to the main OFT recommendations, our evaluation reaches the following conclusions:

  - The majority of local authorities say they provide care home directories that list all the care homes in their area. Although this appears not to have changed significantly since 2005,
differences in response rates between the 2005 and 2010 surveys hinder comparability.

- The majority of care homes say they provide inspection reports to new residents when moving into the home and inform residents when a new inspection report is available. It is not possible to compare this with the situation in 2005 given that questions on inspection reports were not asked in 2005. It is also not possible to reach firm conclusions on whether care homes actually do provide these inspection reports given that our mystery shopping exercise involved an enquiry before the individual moves into a care home. However, the provision of inspection reports by care home regulators has improved since 2005 (with clear summaries introduced and greater online accessibility) and so, on balance, we conclude that the situation with respect to the availability and provision of inspection reports has generally improved since 2005.

- The majority of local authorities we surveyed said they provide the same levels of advice and assistance to self-funded residents and publicly-funded residents. Approximately two-thirds of authorities indicated that they are willing to arrange and contract for the care of individuals assessed as requiring a care home placement but who would not qualify for public funding. This was comparable to the responses of local authorities in 2005 and so it is difficult to draw firm conclusions on whether the situation has changed for self-funded older people seeking authority assistance.

- On balance, our evaluation concludes that the provision of information on care home fees has generally improved since the OFT’s study. In the majority of cases, we were able to obtain information on fee levels and changes and care homes suggested that the provision of such information has become more prolific since the OFT’s study.
- Our evaluation finds a generally positive picture of progress in relation to the provision of **contracts**. Overall, the evidence suggests that existing care home residents are more likely to have a contract or statement of terms and conditions than in 2005.

- Finally, in relation to the provision of **information on complaints**, there is an absence of comparable information from 2005 but our survey of care homes suggests that there is still some room for improvement. Sixty-one per cent of the care homes we surveyed said they provide information on complaints procedures within the resident’s contract or statement of terms and conditions. A similar proportion said they use posters and other information around the home to provide information on complaints procedures.

- **Quantifying the consumer impacts** of these changes in response to the OFT’s recommendations is challenging, particularly with respect to monetising consumer benefits. There are both theoretical and practical constraints in attributing financial values to the consumer impacts that have arisen since 2005. However, in the absence of a more developed and advanced research base and, hence, better alternative measures, we present transparent and conservative approaches for monetising improvements since 2005 which suggests consumer benefits may have been in the order of £6 million to £10 million annually, with the actual benefits accruing to consumers over that period more likely to be at the lower end of this range. These benefits will continue to accrue at a similar rate in future years. These monetised benefits have arisen through quality improvements in the services offered by care homes.

- **Qualitative evidence and analysis** surrounding changes in the care homes market, and the extent to which these changes have been driven by the OFT’s market study, also point to improvements in the welfare of care home residents since 2005. The increased ability of older people and their representatives to access information on care homes, combined with improvements in the nature of that
information, indicates that older people who are seeking care within a residential or nursing home setting are better placed now than in 2005. Our evidence suggests that consumer outcomes are more positive and will continue to be more positive as a result of the changes the market has made in response to the OFT’s market study.

- Finally, and as a result of the above, it is not possible to estimate the remaining consumer detriment in the care homes market. The awareness of care home residents surrounding avenues to seek redress when things go wrong may be hindered by the lack of information provided by care homes. A relatively low proportion of care homes report providing residents with information on complaints procedures, suggesting that the provision of information and access to redress in this market could be improved. Given recent changes in complaints procedures which have been designed to improve redress mechanisms for care home residents (for example, recent changes mean that self-funded residents can now lodge a complaint regarding a care home with the Local Government Ombudsman), it is increasingly important that consumers understand clearly the process for raising a complaint.

**Further insights**

6.2 In addition to our research findings on the impact of the OFT’s market study for care home residents, our evaluation has allowed us to identify some issues that might prove useful in any further work in the area.

**Insights for gathering and analysing market information**

6.3 Our ex post evaluation of the OFT’s study has highlighted some methodological challenges at different points from which lessons might be drawn for future research.

6.4 We experienced a number of challenges and barriers to obtaining sufficient information and evidence on changes in the care homes market. Overall, we found engaging with consumers to be the most challenging aspect of our primary research. This is a reflection of two
issues. First, the choice of care home is not necessarily made by the person who becomes the consumer of care services. A relative or friend (and sometimes a local authority employee) is often responsible for making the main decisions on the care arrangements of the older person. And, second, given the changing profile of the care home resident population, many of the residents that we interviewed had limited mental capacity to respond to the sometimes complex issues and questions at hand. This, in turn, impacts the design of evaluation methodologies and emphasises the need to engage with the representatives that older people rely on to assist them with their care arrangements.

6.5 We also experienced challenges in quantifying and monetising the direct consumer impacts of the OFT’s care homes market study. Gathering the evidence needed to inform an estimation of consumer impact was very difficult. While various methods and metrics can, in principle, be used to estimate the value of consumer impacts, the lack of an established research and evidence base of such estimates (whether in the adult social care sector or in comparable public service sectors), and the limited capacity of many of the consumers we interviewed to estimate such impacts, meant that gathering meaningful and credible estimates of the component variables for consumer impact metrics was extremely challenging. Further research on methods for quantifying outcomes and impacts in public markets such as this would help to develop evaluation techniques and methodologies.

Insights for intervening in public markets to improve consumer outcomes

6.6 Our evaluation also highlighted some lessons that might be drawn for future interventions in public markets such as this where the objective is to correct market failures and improve consumer outcomes.

6.7 The first insight relates to the potential role of a central, coordinating force in driving market change. The response to the OFT’s recommendations over the last five years may, in part, reflect the multiplicity of different agents in this sector (including four health departments, four care homes regulators, 214 local authorities and more than 18,000 individual care homes). We note that the presence of a
central driving force in coordinating and implementing changes might have accelerated progress in response to the OFT's recommendations. Consequently, implementation strategies for driving change in a market are arguably as important as the form and content of the recommendations themselves.

6.8 The second insight relates to the content and form of recommendations for market changes. In some cases, while care homes appear to follow the letter of the recommendation, it is questionable whether they are following in all cases the spirit of what the OFT originally envisaged. For example, the OFT may have envisaged that care homes would provide certain information (such as inspection reports) at an earlier point in the consumer's decision making process than they actually do. Consequently, the specific content and form of recommendations designed to impact the behaviour of market agents may have unintended consequences should those agents not adhere to the spirit as well as the letter of a recommendation.

6.9 Our final insight relates to the importance of improving awareness as well as access to information. Among the care home residents and their representatives that we interviewed, there was relatively limited use of inspection reports, contracts and other sources of information on care homes, despite improvements in provision and access in recent years. In part, this may reflect low awareness among some consumers of the content and potential value of such information for providing information on the terms, conditions and quality of care provided within a given care home. In some cases, it will also reflect the low value that certain consumers place on such information for informing their decisions about a care home. Although the improvements in information provision since 2005 should be commended, we believe that further consideration should be given to raising awareness among older people and their representatives of the existence of such information and how it could help them to make more informed decisions.