

Thinking about...Choice and welfare in the UK care homes market

Enabling consumer ‘choice’ is at the heart of many reforms to public services and public markets. It is also a central consideration of the ongoing work of the Commission on the Funding of Care and Support on the future funding of adult social care . But how important is choice for older people faced with decisions on their care arrangements, and how well does it work today? What role should choice have in the Government’s future White Paper and vision for social care? In this paper, GHK’s Michael Lawrie and Joe Sunderland explore choice in the UK care homes market and the implications for consumer policy.

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‘Choice’ is an important driver of improved outcomes in consumer markets

The typical characteristics of a well-functioning consumer market include the presence of multiple providers competing on a level playing field to win business by providing services that meet consumers’ needs more effectively than their rivals while keeping downward pressure on costs and prices. A competitive and contestable public market can encourage innovation, productivity and efficiency gains and provide consumers with increased choice.

All consumer markets, including public markets, require a strong demand side to reinforce competition and contestability on the supply side and contribute to improved outcomes and welfare for consumers . The supply side is tested most when demand is generated by informed consumers who are aware of the choices that are available to them, active in accessing information about different service providers and capable of exercising choice to make well-informed decisions.

Consumer ‘choice’ thus features as a key component of many policy developments and public service reforms, including under the UK’s current Coalition Government:

*“I want one of the great achievements of this Government to be the complete modernisation of our public services ...To **give more choice to those who use our public services** and more freedom to the professionals who deliver them.”*

Speech by the Prime Minister David Cameron, 17th January 2011

However, where constraints exist on the demand side, the choice mechanism is likely to be less effective in driving better outcomes for consumers.

Consumer choice, alongside quality-based regulation, is seen to play an important role in maintaining standards in the care homes sector

There are currently around 418,000 older people living in care homes in the UK. Private companies provide 75 per cent of places, a share that has risen significantly in the past fifteen years . Nonetheless this is a market in which around 60 per cent of

consumers receive significant public assistance in paying the fees charged by care home operators.

Care home service providers must be registered and the quality of services is monitored by regulators. But care homes are, in many other respects, treated as a conventional consumer market. There is an emphasis on empowering consumers by providing them with the information necessary to help them make informed choices and establishing avenues for redress when things go wrong.

Research by GHK points to recent improvements in the provision of the kind of information that can help older people and their carers make better informed choices about their care arrangements

In 2004, the Office of Fair Trading (OFT) launched a market study into the UK care homes market noting a range of concerns and concluding that many users were poorly served. Areas of investigation in relation to information and choice included:

- whether users had sufficient information available to inform their choice;
- whether users felt able to switch care homes once in residence somewhere or complain about the standard of the service they were receiving; and
- whether users felt the pricing of services was transparent and fair.

GHK recently conducted follow-up research and analysis for the OFT on the impacts of that study on the care homes market. This research concludes that there have been improvements in the provision of information to consumers, with quantifiable benefits to consumers in the region of £6-10 million per year and further evidence of other non-quantifiable benefits. These improvements should be welcomed for empowering older people and their carers to make informed decisions to choose a care home.

The research also highlights the realities of how choices are made and why continued vigilance is needed to ensure that this market does work for care home residents, including those no longer able to act as informed consumers on their own

We interviewed care home residents and their representatives about their choice of a care home. The discussions highlighted a number of reasons why the model of an informed consumer who is able to exercise choice and provide a discipline on market suppliers does not always hold true for the care homes market.

First, consumers are not always **aware** they have a choice. Many care home residents and their representatives displayed a lack of awareness and understanding regarding the control they have in relation to care arrangements, particularly where the care home place is commissioned by a local authority.

Second, the manner in which information and choice is **framed** can sometimes undermine effective decision making by hindering like-for-like comparisons across different service providers. GHK's research found that the OFT's market study has driven a number of positive changes in this regard, including the introduction of the First Stop Care Advice service (a one-stop-shop information service) and improvements in care home inspection reports (through the provision of reports online with plain English summaries). The research also highlights the need to increase

consumer awareness of relevant information, such as inspection reports, contracts and other sources of information when deciding on a care home.

Finally, the prospective care home resident often does not have the **capability** to make effective choices. People are now tending to enter care homes at an older age than in the past, are frailer and have more complex needs. Many do not have the capacity to act as informed consumers. It is now commonplace for a third party (family member, friend, social worker or local authority) to make the choice of care home on behalf of the older person – so the ‘choice agent’ and the ‘consumer’ (of care home services) are different people. Third parties can be constrained by time and other factors in their ability to compare the market and make an informed choice on behalf of the older person – an issue discussed in more detail below.

These factors need to be recognised when considering the ability of consumers to make choices and drive improved outcomes, particularly in relation to price and quality.

The scope of the search for a care home place can also be limited by personal circumstances – a lack of time, a desire to stay close to family and friends and, for some, a lack of practical help with the search process

Our research also finds that care home selection is often constrained by force of circumstance in ways that limit functional choice to homes within the immediate vicinity of the older person’s current residence (or that of the family member(s) who are searching on the older person’s behalf). This may also weaken the power of consumer choice as a force driving continuous service improvement in the marketplace.

Choice in the care homes market can be self-restricted by the overriding importance of location, the short time scales in which these decisions often have to be made, and the lack of information that consumers access prior to making a decision. Specifically:

- **Location.** The location of a care home is an overriding influence on choice for many older people. Many residents we interviewed had restricted their search of care homes to a relatively small geographical area, mainly as a consequence of their limited mobility and a desire to be close to family and friends. One resident commented: “You’d lose your friends if you have to travel.” This view was quite widely held among many of the residents we met – location, above everything else, was the most important factor used to screen options.
- **Scarcity of time.** As noted above, the family member, friend or other representative who often makes the choice of care home on behalf of an older person is frequently given very little time in which to make that choice. The catalyst for a move into a care home is usually ill health and the decision is often taken in very stressful, tense and emotional circumstances. The speed with which decisions can be taken restricts the time an individual takes to consider the choice of home. One family that we spoke to had selected a care home for their relative within 48 hours of a decision being made that he could no longer live independently after a stroke. A number of others reported feeling compelled (either overtly or by implication) by health services (such as a hospital) to find a care home quickly and so free up the hospital bed occupied by the older person. While most interviewees said they understood that the older person 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. Improvements cited earlier that should help consumers and third party representatives in deciding on a care home (such as the development of online resources and 'one stop shops') may be underutilised by the target audience given the relatively low levels of internet usage among older people and the current lack of signposting to such resources.

- **Availability of support.** Many older people are supported by a network of family and friends who provide advice, advocacy and more practical support in the transition to a care home (such as taking their friend / relative to visit care homes). But this network is not always available and research suggests that more people will lack that crucial assistance and support in the future. In 2008, Age Concern (now part of Age UK) estimated that 1.2 million people aged over 50 in the UK were severely socially excluded and the problem is likely to increase in future years. Lack of access to support can impact on an individual's choice if it limits their ability to visit and compare information across different care homes prior to making a decision. Some older people will need to rely on local authorities (as commissioners of care for around 60 per cent of older people currently) to offer the same support and advice that a family or friend would in comparing and choosing a care home.
- **Respite care.** Another key factor commonly used to screen care home options and inform choice is respite care. Many of the care home residents we spoke to had used a short term stay at a care home for respite care as a means to 'test' the quality and services of a given home. This subsequently informed their decision of a home.

Care home choice is, for many, a one-time decision, thereby limiting the role of consumer switching in providing a discipline on the market

Many consumer markets are characterised by high rates of switching activity. This reflects 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, switching between care homes is rare.

Quantitative estimates of the scale of consumer switching in the care homes market do not exist. This reflects, in part, the nature of the market and the short average length of stay in a care home (research suggests that self-funders will live in a nursing home for around 20 months on average before passing away).

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.'

Quotes from interviews with care home residents and their family members

A small number of care home 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.

In general, our research with older people and their families suggests that where residents and their representatives deem switching care homes 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. Nevertheless, being able to withdraw one's custom if a service is unsatisfactory or fails to meet an individual's needs is a vital recourse for consumers. This emphasises the importance of the consumer getting the decision right the first time and the relevance of information provision before the decision takes place.

It is important that policy-makers understand the limited ability of many older people to exercise choice and so provide a discipline on the care homes market, especially given increasing levels of dependency and disability of those entering care homes

The factors that can constrain the ability and effectiveness of consumers to affect choice and drive improvements in the care homes market matter for the long term future of Government policy on adult social care for three main reasons.

First, **demand for care home places will increase** with the ageing of the UK population, notwithstanding the efforts being made to enable people to stay in their own homes for longer. The share of the population aged 65 or over is expected to rise from 16 per cent in 2009 to almost 25 per cent in 2034. The number of people aged 85 or over is likely to grow by three million by 2031. This rapid growth in the over 85s will increase the demand for care home places.

Second, not only will there be increased demand for care home places over time, but an increasing share of that **demand will come from consumers who will need to arrange their own care home place**. The ratio of self-funded care home residents to local authority-funded residents has increased in the last five years and is predicted to rise further in future years due to the growth in property ownership among the over 65s combined with continued funding pressure on local authorities which has led to a tightening of eligibility criteria for publicly funded care home places. This trend implies a decline in the influence of local authority baseline fees on care home fees over time, suggesting a growing emphasis on price competition among suppliers to deliver value for consumers. However, this price competition may be undermined if some consumers are inhibited in their ability to make an informed choice of care home.

Third, rising levels of disability and dependency 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 that **the people moving into care homes will tend to be older and frailer**. The ability of such people to make effective choices about their care arrangements will be significantly constrained by underlying health conditions. This highlights the growing importance of representatives and advocates to provide the necessary support to the older person to ensure an effective assessment of care home options is made and a choice that is in the best interests of the older person.

At a time when the Government is reviewing the long term funding of adult social care in the UK, it is important that the ability of older people to make informed choices is taken into account. The care homes market will change as it sees increasing levels of demand by older consumers with greater assets/wealth, but those prospective residents will not necessarily have the capacity and capability to make effective choices. If the care homes market is to operate efficiently and deliver a quality service for consumers at an affordable price, policy-makers must consider the extent to which older people are aware of the choices that are available to them, how active they are in accessing information about different service providers and whether they are likely to be capable of exercising choice to make well-informed decisions.

The limitations in user choice discussed in this paper raise some significant challenges for Government in determining how best to support older people in choosing their care arrangements towards the end of their life and how to ensure that the care homes market is appropriately incentivised to continue focusing on improving outcomes for consumers.

1. See <http://www.dilnotcommission.dh.gov.uk/>.
2. "Offering an affordable choice to individuals, carers and families across a range of care settings, and helping people to prepare and plan for their future" is a stated principle guiding the Commission's work.
3. The views expressed in this paper are the views of the authors alone and have not been endorsed by – and do not necessarily reflect the views of – any organisations referred to herein.
4. Office of Fair Trading (2010), Choice and Competition in Public Services: A guide for policy makers, A report prepared for the OFT by Frontier Economics, March, [online], Available at http://www.offt.gov.uk/shared_offt/business_leaflets/general/offt1214.pdf, Accessed on 23 March 2011.
5. Laing & Buisson (2010-11), Care of Elderly People: UK Market Survey 2010-11, Twenty-third Edition, London.
6. Office of Fair Trading (2005), Care homes for older people in the UK: A market study, available at http://www.offt.gov.uk/shared_offt/reports/consumer_protection/offt780.pdf;jsessionid=34F968E396EF0EF4DB01CCCAE9583DFA, Accessed 23 March 2011
7. See <http://www.offt.gov.uk/news-and-updates/press/2011/57-11>.
8. In total, we interviewed or conducted focus groups with 19 care home residents and 16 relatives of care home residents.
9. See <http://www.firststopcareadvice.org.uk/>.
10. Age Concern (2008), Out of sight, out of mind: social exclusion behind closed doors
11. Laing & Buisson (2010-11), Care of Elderly People: UK Market Survey 2010-11, Twenty-third Edition, London.
12. Office for National Statistics (2010), Mid-year population estimates and National Population Projections, [online], Available at <http://www.statistics.gov.uk/cci/nugget.asp?ID=949>, [Accessed 29 December 2010].

If you want to discuss any of the issues raised here, or would like to commission GHK for a specific assignment, please contact Joe Sunderland on 0207 611 1100 or joe.sunderland@ghkint.com. More details of GHK and our services are available online at www.ghkint.com.