MEETING	**PUBLIC BOARD MEETING** **18 March 2020**
Agenda Item **Paper Number**	6 CM/03/20/06
Agenda Title	Market Oversight Update
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PURPOSE OF PAPER:

Actions required by the Board:

- **Note** the attached Market Oversight update.

IMPACT:

Information for Board to be aware of:

- Impact on stakeholders – the attached update is provided as part of CQC's Independent Voice.

Care Quality Commission

Market Oversight Update

Stuart Dean

18th March 2020

Market Oversight Responsibilities

- ***Minimise avoidable uncertainty*** for vulnerable people owing to a disruption to continuity of care as a result of business failure.
- Monitor finances of potentially '***difficult to replace***' providers.
- Provide notification to local authorities (LA) to aid contingency planning in the event of *(i) likely service cessation as a result of (ii) likely business failure*.
- The scheme design assumes that the market can generally absorb business failure, hence this alone is insufficient to trigger a LA notification.
- ***Market Oversight has no powers to prevent provider failure***.
- The published guidance and scheme participants are published on CQC's website.

Key Facts

- Currently **c.65** corporate providers included in the scheme with a further 5 in the process of being on-boarded.

- **Coverage** – c. 400 registered providers which deliver services from about 4000 locations (c.30% of all care home beds in England).

- **Risk Profile** – when the highest categories of risk are considered before CQC is required to make a LA notification, there has been a <u>**20 percentage point deterioration**</u> in risk across the portfolio since the scheme was launched in April 2015. Whilst this deterioration is 7 percentage points less than that reported in June 2019, it masks a significant increase in risk in our highest risk classification prior to us issuing a LA notification.

- **LA Notifications** - <u>2 now issued</u> since the scheme was launched – (i) Orchard Care Homes (No 4) Ltd [1 local authority] and (ii) Nestor Primecare Services Ltd t/a Allied Healthcare [96 local authorities]. Wider CQC enforcement powers have also been used when appropriate, such as Warning Notices, Notice of Proposals and Notice of Decisions.

- **Unseen influence** – improved financial discipline, enhanced financial stability by resolving uneconomic positions, cash injections to preserve liquidity and effectively holding Providers to account in problem situations – all of which has reduced financial risk in the sector.

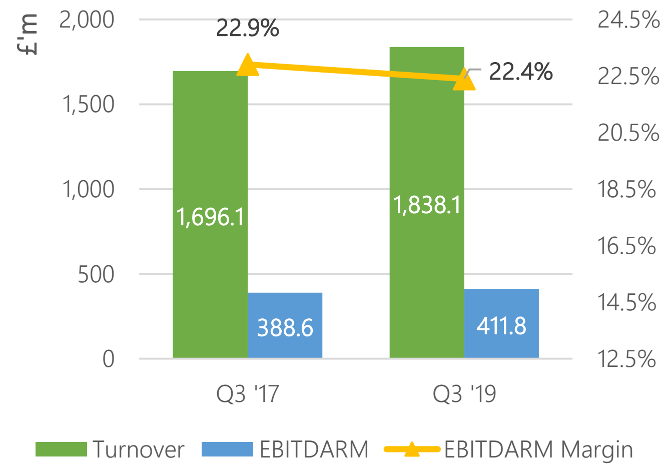
Consolidated Data Trending Themes

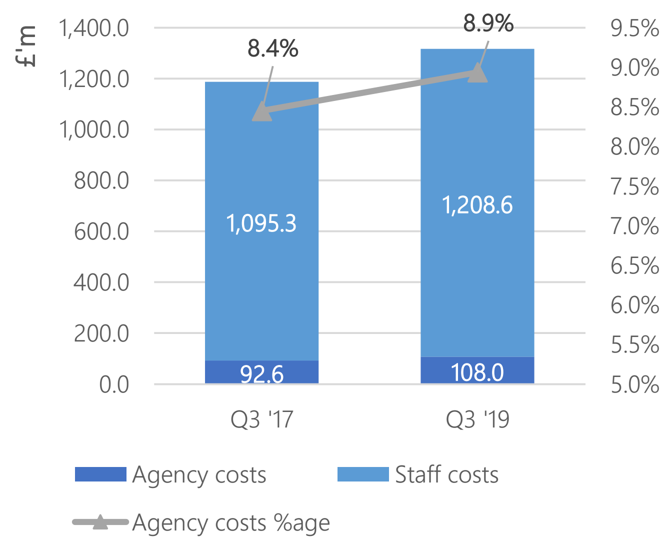
Over the two year period, overall* turnover of providers captured by the Market Oversight (MO) scheme **increased by approximately 8%.**

This is driven by a 42% increase in turnover across **non-specialist care home** providers that have a **higher proportion of private pay income**** and an **11% increase** in the turnover of **specialist providers.**

Non-specialist home care turnover was **broadly flat (-2%)** whilst **non-specialist care home** turnover for providers that were **predominantly public funded fell by almost 20%.**

Notwithstanding the increase in turnover in providers that have a greater proportion of private pay income, **overall EBITDARM margins (a high level proxy for profit) fell** by 0.5 percentage points **to 22.4% as cost increases** (predominantly staff costs rising by over 10% fuelled by a c. 17% increase in agency costs) **outpaced turnover growth.**





*Overall figures are aggregated from a total of 56 providers within Market Oversight. Data predominantly relates to period ended 31 Sep 2019.

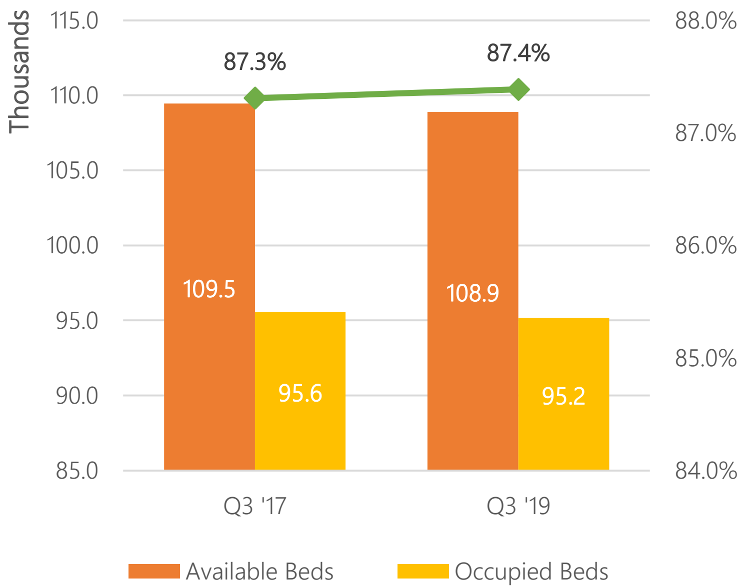
** 'Greater proportion of private pay' includes providers with 40% or more of turnover from private funding, ('predominantly public funded' less than 40%)

Consolidated Data Trending Themes

Care Quality Commission

Overall **occupancy** remained **stable at c. 87%** as **available bed capacity reduced in** predominantly **public funded** providers (-22%) and **increased capacity** (+30%) **was filled** in those providers that had a **higher proportion of private pay** income.

Total CQC ASC **registered beds dropped by 3,427** over the same 2-year period. This equates to a **c. 10% decrease in spare bed capacity**** over the period.



<u>Outlook:</u> If known staff cost pressures are not fully funded by Local Authority (LA) fee increases, then the existing market fragility is likely to increase. *<u>Based on assumed cost increases and private fee increases* in the next 12 months, an LA fee uplift of 3-4% would be required to maintain current EBITDARM margin</u>*. In the absence of mitigating action, any further shocks to the labour market (such as NHS recruitment initiatives, additional unfunded staff cost increases or policies that reduce the supply of available labour) can be expected to increase the existing level of market fragility, place more pressure on LA finances and possibly increase unmet care needs.

*staff costs increase 5.5%, agency costs increase 7.9% and non-staff costs increase 2.2% (ONS RPI for Dec 2019), private fees increase by 6-8%

** 92% is assumed as practical full operating occupancy over all registered beds