

NEWS IN BRIEF

Care home chief warns sector is on the brink of catastrophic failure



More than 120 Bupa care homes could be taken over by HC-One, making it the biggest company in the sector

Care homes are teetering “on the edge” and a chronic shortage of funding risks “catastrophic failure” within the National Health Service, the businessman expected to be the biggest operator of residential homes has warned.

Chai Patel, chairman of HC-One, which could take over more than 120 homes from Bupa, predicted that six national chains would emerge to dominate the market by benefiting from economies of scale. The acquisition would enable his company to expand to about 350 homes with 22,000 care beds and become the biggest in the sector.

There is immense pressure on care homes amid government funding cuts and an increase in costs since all adults over 25 became eligible for the national living wage. Some small operators are quitting, with 144 care homes closing last year and a loss of about 2,000 beds a year. Many more are “zombie” homes, feared to be close to bankruptcy as councils force down the rates they pay.

A shortage of capacity means that the number of people in residential homes has not increased in line with rising longevity, forcing many frail and elderly people to rely on specialist care in their own homes.

In an interview with the Times, Dr Pater admitted: “There is no question that sector itself is on the edge.” He added: “The impact of chronic underfunding of social care will result in catastrophic failure in the NHS.”

He said his investors were betting on the requirement to care for an ageing population with more complex needs. “Demographics are showing in the next ten years there is need for almost 70,000 beds and this is not happening.”

However, he said the imminent acquisition of a large swathe of Bupa's care home estate would be partly funded by a new equity investor, suggesting that the sector could be about to turn a corner. The care home sector remains highly fragmented with about 22,000 in the UK and barely 1,000 operated by the top five companies. About 220,000 people have residential home places funded by local authorities while 177,000 wealthier people fund their own residential care. "When local authorities are trying to work alongside social care providers you can see the challenge of trying to integrate these services," Dr Patel said. "I think larger operators can bridge this gap."

The acquisition, which has yet to be formally completed, aims to make the business profitable by reducing overheads through economies of scale. HC-One emerged from the remnants of Southern Cross, which collapsed after the financial crisis. An acquisition of homes from Bupa would leave the company, whose parent is incorporated in the Cayman Islands, with debts of about £500 million. Dr Patel rejected concerns that HC-One could collapse like Southern Cross, which he said had failed to keep up with mounting rental payments. HC-One retains the freehold to most of its homes and its debts accounted for about half of its real estate value, he said.

The potential deal has been welcomed by Martin Green, chief executive of Care England. "Private providers are painted to be only concerned with profiteering from older people when, in my personal experience, this could not be further from the truth," he said. "The real scandal is the abject failure of successive governments, across all political parties, to invest properly in social care over many decades."

A study released by King's College London today finds a "worrying" increase in dementia patients using A&E at the end their lives, which may be because of a lack of care home places. The researches called for better support, saying: "Given the projected increase in prevalence of dementia with population ageing, this issue requires urgent attention."

If you would like a free initial consultation to discuss your situation and options open to you then contact me Chris Berry at:

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