

Written evidence submitted by Caremark Ltd, Right at Home UK (ASC0095)

Summary

This collective response provides primary evidence of the severe financial and social consequences of inaction on the Adult Social Care Reform. It is estimated that it will cost the sector an additional £1.85bn to cover the higher minimum wage set to be introduced in April 2025. With the addition of the increased employer National Insurance Contributions, the total additional cost to the independent social care sector for 2025-26 comes to £2.8bn¹. Without urgent reforms, the care sector risks market failure, resulting in worsening health outcomes, macro-economic deterioration, and increased pressure on families to function as unpaid carers, further aggravating societal inequalities.

Introduction

This evidence presents primary research from within the UK care industry, providing unique insights from the operational offices of two of the UK's leading national care companies: Caremark Ltd and Right at Home UK. Both organisations have consulted with a diverse range of care service providers from within their collective operational networks to include domiciliary care, dementia care, learning disabilities, mental health support, children's care, complex care, emergency and out of hours, hospital discharge, and supported living services. These organisations have provided detail of the business decisions that are being made now, in relation to the implications of the potentially critical challenges facing contracted social care following the Autumn Statement.

The lowering of the employer's National Insurance Contributions (NICs) threshold, the rise in the National Minimum Wage (NMW), and the introduction of the new Employment Rights Bill (2024) collectively will have expensive, damaging effects on the delivery and availability of social care. Due to more than ten years of austerity cuts, most care packages are delivered by organisations operating on tiny margins. Many are charities.

Unless care package rates are adjusted to cover these new additional costs, far less care companies, (beyond the examples given) will be able to afford to accept unviable care packages; the consequential effect on the NHS will be hugely expensive resulting in critical issues such as 'bed blocking'. This research confirms that the companies and their respective offices across the UK have engaged with the Local Authorities they serve, yet these authorities have declined to increase rates, rendering care delivery financially unviable.

This primary evidence, with insights from those delivering the service, underscores the urgent need for policy rethink.

How much is inaction on Adult Social Care Reform costing the NHS and local authorities, and what impact does this have on patients and the public?

Lord Ara Darzi, in his independent investigation, has found the NHS in a 'critical condition' due to years of austerity and structural changes. One of Darzi's recommendations is to invest in community and primary care, with a shift in focus from hospitals to community-based care. Increased hospital admissions and prolonged stays, as patients who could be discharged remain hospitalised due to

¹ Nuffield Trust

insufficient social care support, escalate operational costs and strain NHS resources². In February 2024, an average of 13,662 acute patients were not discharged from hospitals each day in England, which is about 13% of all general and acute beds. Patients who are ready for discharge are unable to leave due to inadequate community care packages and lack of community resource³.

The Association of Directors of Adult Social Services (ADASS) estimates that in England, the proposed 'actions' of the Government will accelerate potential large-scale market failure through increases in the National Living Wage and employer National Insurance contributions. This additional cost to the care sector is an estimated £1.8 billion in extra costs for 2025-26, thus resulting in a significant funding shortfall that could force Local Authorities to further ration care and support, placing those with the greatest needs at risk⁴.

Increases in staffing costs to the sector, coupled with funding gaps, is going to make hospital discharge even more costly and delayed as care providers will be forced to cut staff numbers. In 2023, approximately 250,000 people in England were waiting for a care assessment, leading to unmet care needs, and deteriorating health conditions. This number will rise significantly.

Rising staffing costs and persistent funding shortfalls pose a serious threat to the ability of Local Authorities to meet their legal obligations under the Care Act 2014. This not only jeopardises the delivery of essential services like care assessments, supported living, and integration of care with health services but also risks leaving thousands of vulnerable individuals without the support they desperately need. The strain on the healthcare system will inevitably increase, with delayed hospital discharges causing backlogs, escalating costs, and worsening health outcomes for patients. Furthermore, the broader social impact could see families and communities overwhelmed as they attempt to fill the gaps left by an underfunded system. Without urgent policy intervention to bridge these financial deficits and support the care workforce, the care sector faces a profound crisis with devastating consequences for individuals and society.

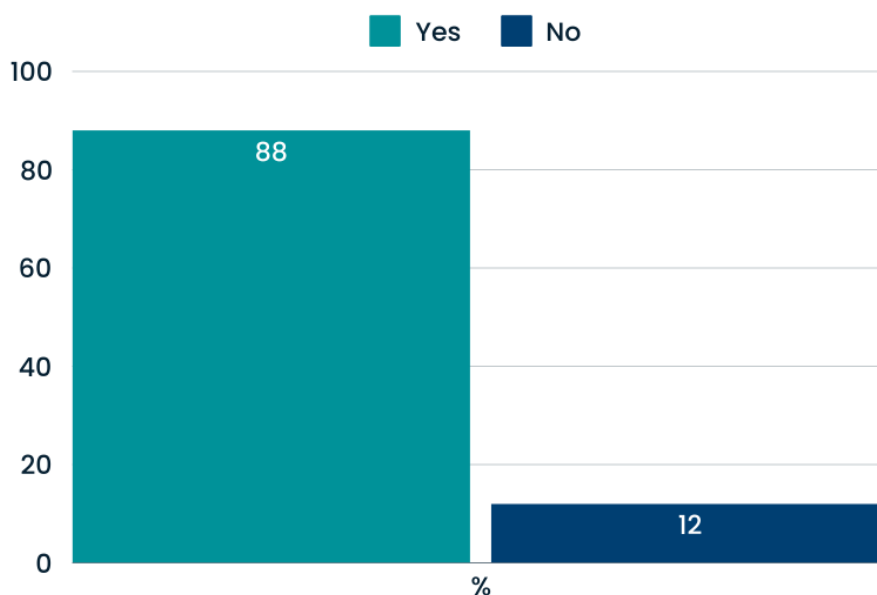
² <https://doi.org/10.1136/bmj.q2001>

³ <https://www.england.nhs.uk/statistics/statistical-work-areas/discharge-delays-acute-data/>

⁴ <https://www.communitycare.co.uk/2024/12/04/1bn-boost-to-adult-social-care-funding-not-enough-to-cover-costs-warn-leaders/>



Will you experience changes in staffing levels due to financial constraints? (%)



Many care agencies are at the heart of their communities. Care providers for Caremark Ltd and Right at Home UK discussed their concerns regarding negative multiplier effect: Having to cut carers hours = earning less wages, resulting spending less in the local community shops = local community stagnates.

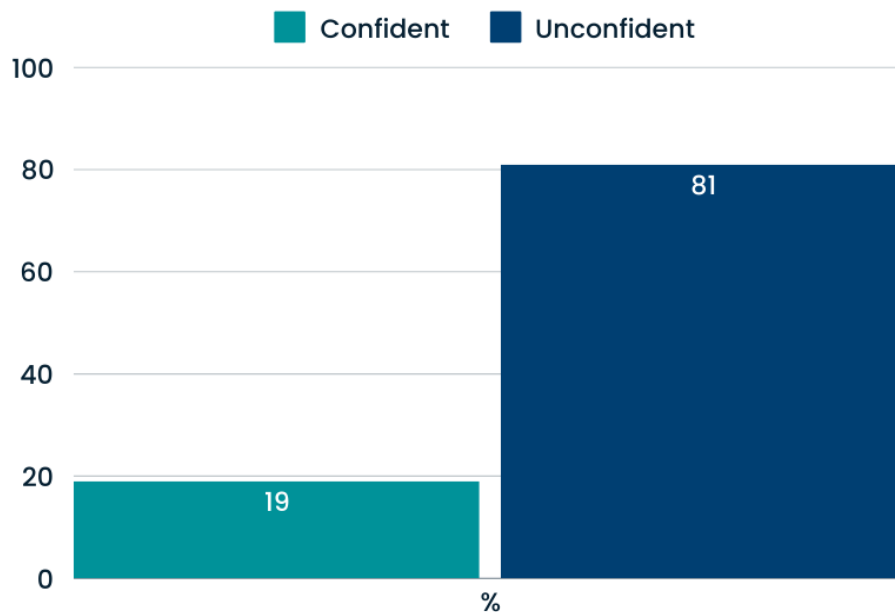
What NHS and Local Authority service reforms are not happening as a result of adult social care pressures, and what benefits are patients and the public missing out on?

Social care services are highly likely to be severely affected by cuts across most English councils next year⁵.

Almost four in five Local Authorities (79%) say care services will be 'very' or 'fairly likely' to be negatively affected by savings in 2025-26, while 63% said the same about provision for children, young people, and families. The LGA also found that over four out of ten councils responsible for social care were expecting to seek a bailout from the government over the next two years to stave off having to issue a notice of 'bankruptcy.' Unviable care packages will exasperate this significantly. As a result, social care budgets cannot be increased; therefore, 'care packages' delivered by care providers such as Caremark Ltd, Right at Home UK as well as NFP and charities will soon become economically unsustainable.

⁵ <https://www.local.gov.uk/publications/council-finances-and-autumn-budget-2024-survey-chief-executives>

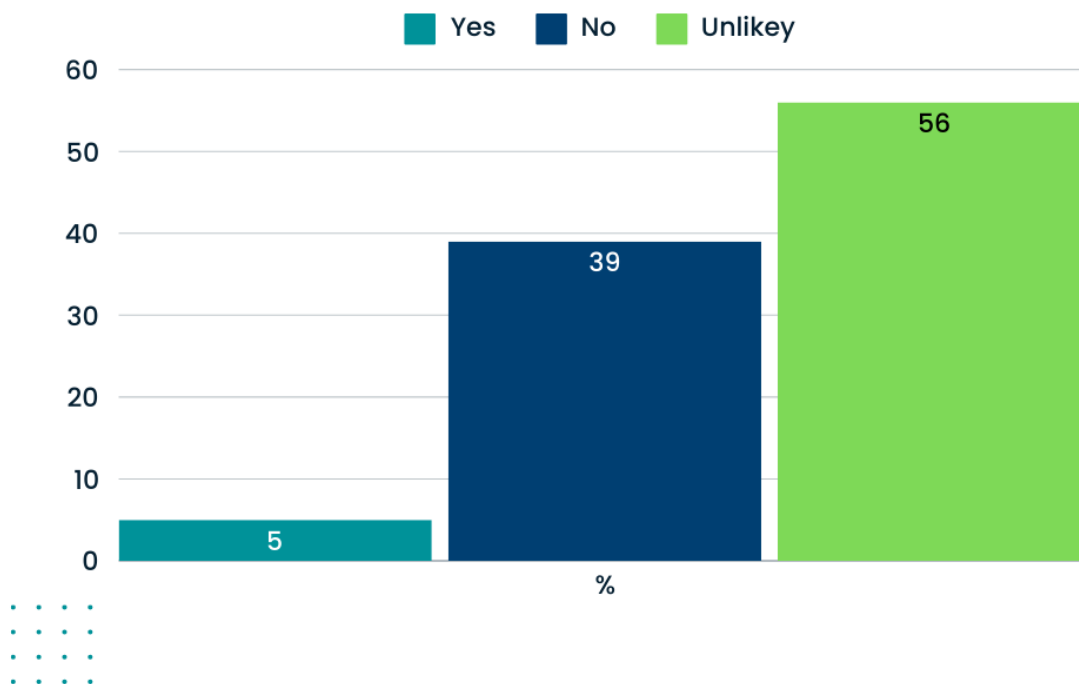
How confident are you in your organisation's ability to sustain operations over the next 12 months? (%)



Pressures in adult social care have already led to the postponement or cancellation of several NHS and Local Authority service reforms, resulting in missed opportunities for patients and the public. For example, the implementation of a cap on individual care costs, initially planned for October 2023, has been delayed until October 2025. This postponement will ultimately affect the financial planning and support for vulnerable individuals requiring care. Delays in reforms unequivocally contribute to longer waiting times for assessments and services. In Oxfordshire, adults seeking Autism care assessments face waits extending potentially until 2043 due to backlogs and funding shortages⁶.

⁶ <https://www.thetimes.com/uk/article/think-youre-autistic-well-assess-you-in-2043-says-charity-cgwm5dsw3/>

Are your current public sector contractors prepared to renegotiate contracts to make them financially viable? (%)



Market failure in the care sector—where supply fails to meet demand, or where unviable new costs are pushed toward an already underfunded marketplace, are likely to lead to the following outcomes:

Worsening health outcomes

- Increased unmet needs: the most vulnerable in society, including the elderly and disabled, would face greater challenges accessing care services, leading to unmet needs and expensive worsening health conditions.
- Delayed treatments: lack of timely care would increase hospital admissions and the severity of illnesses, exacerbating health disparities and resulting in greater costs.

Strain on the NHS

- Patients unable to access adequate community care would remain in hospitals longer, increasing 'bed blocking.' This would delay treatments for other patients and create bottlenecks throughout the social care system.
- The NHS would face higher costs due to increased hospital admissions and longer stays for conditions that could be managed in community and domestic care settings.

Economic consequences

- Families may be given no option but to step in as unpaid carers, which could lead to lost productivity, reduced workforce participation, and higher rates of burnout and stress among informal caregivers.
- Local economic pressure will increase as care sector jobs scale back due to unsustainable financial pressures.

Deterioration in quality of care

- Cost driven quality compromises: in cases where care is still available, providers might prioritise cost-cutting over quality, leading to substandard and unethical care with potentially harmful outcomes for individuals relying on services.
- Staffing crisis: poor pay and working conditions could worsen recruitment and retention challenges, leaving the sector understaffed and overburdened.

Social and ethical implications

- Erosion of dignity and well-being: vulnerable individuals might face neglect or inadequate support, leading to societal discontent with rising ethical concerns about the treatment of those in need.
- Increased inequality: market failure could disproportionately affect lower-income households, as wealthier individuals would still be able to afford private care while others would go without.

Potential Government intervention

- Emergency funding: the Government might be forced to step in with emergency funding or temporary nationalisation of services, leading to short-term fixes rather than long-term solutions.
- Public outcry for reform: a visible breakdown in the sector could lead to widespread public dissatisfaction, prompting significant political and societal pressure for comprehensive reform.

The potential reduction or absolute failure of the care sector would be financially catastrophic. It will create widespread disruptions but could also force the hand of the Government towards emergency remedial spending, which would be a huge additional pressure on the economy in the short and medium term.

What is the cost of inaction to individuals and how might people's lives change with action on Adult Social Care Reform?

The cost of inaction in addressing the likely market failure because of proposed increases to provider costs, is likely to:

- Increase unmet care needs as individuals requiring care may face long waiting lists for assessments and support, worsening their physical and mental health. Vulnerable people, such as the elderly and disabled, may experience neglect due to a lack of care services.
- Increase financial hardship as families may bear the financial burden of funding private care, which can be prohibitively expensive. This could deplete personal savings and lead to financial insecurity. Those unable to afford private care might go without essential services, reducing their quality of life.
- Care worker hours are likely to be reduced, as evidence suggests this is the only significant cost that can be adjusted to meet new financial burdens, resulting in decreased earnings for care workers. Alternatives are for care companies to only contract, not employ, care worker cohorts. This will result in a hugely insecure workforce who are unlikely to be able to deliver without additional financial support from the Government, thereby creating worse, not better working conditions. Consequently, this will incur additional costs for the Government as individuals seek support to supplement their self-employment income.

- Put new pressure on unpaid carers as family members may be forced to provide unpaid care, leading to stress, burnout, and lost income from reduced working hours or leaving employment.
- Without adequate care, vulnerable individuals may become isolated, with fewer opportunities to engage in the community, exacerbating loneliness and inequality, inevitably costing more.

If the government increases resources and makes care packages viable, these changes could lead to significant cost-saving benefits, including:

Improved care quality through providers' ability to provide training and recruitment resource to private providers, who would fund better wages for care workers, improving recruitment, retention, and quality of care. Local Authorities procuring care could impose apprenticeship requirements, LM3 considerations and further local recruitment strategies in care package tender competitions. Providers might be required to meet stricter quality standards, which would ensure better services for individuals. With improved access to timely and high-quality care, individuals could live more independently, contributing to the economy whilst being able to participate in their communities, and enjoy better overall quality of life.

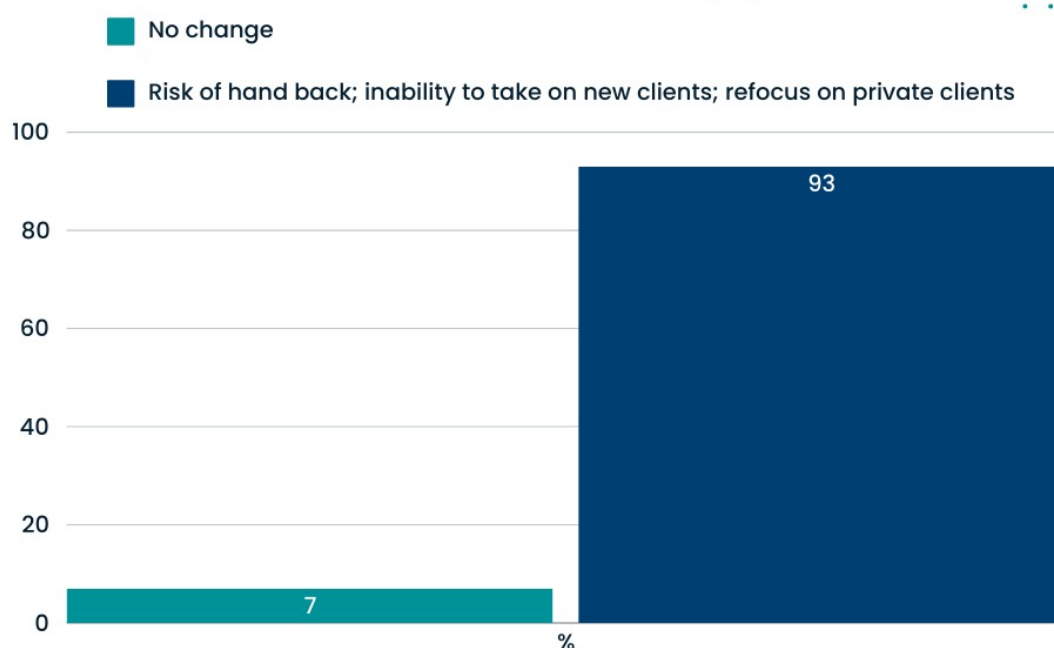
Potential Challenges

Private care provider pushback is occurring already. Increased costs have led to many care providers considering exiting the market. This could be mitigated by offering incentives for compliance, subsidies for smaller providers, or transitioning to publicly funded models that rebuilds a care focus on quality of provision rather than a costly route toward how cheap it can be delivered. Private providers can only pass costs to users. Local Authority care recipients are not wealthy people. Government regulation could prevent this by setting price caps or offering financial assistance to those in need by making delivery of care viable. With the right investment, rather than further austerity measures on social care Local Authority budgets, the economy could improve.

As a result, individuals would experience improved access to care, enhanced quality of life, and financial stability. Families would be freed up from delivering unpaid care that restricts their ability to work/study. Their caregiving burdens would be reduced, and it would lower their out-of-pocket costs. Care workers, in a viable market, could engage with career progression training, turning casual static insecure work into careers. Better pay, conditions, and job satisfaction will improve service quality in the same way additional costs will reduce service quality.

It is well known that better health outcomes, create clear economic benefits from a more productive workforce. Action to address expensive, fundamental flaws in the planned reforms to National Insurance and National Minimum Wage for this sector, could transform adult social care into a genuine career choice, delivering fairer, more sustainable quality driven care that better meets the needs of individuals and society.

How will the planned Employer NI and minimum wage increases affect your organisation's current public sector contracts? (%)



Where in the system is the cost of inaction on Adult Social Care Reform being borne the most?

The cost of inaction on the Adult Social Care Reform significantly impacts various sectors, with the burden most acutely felt in the following areas:

1. Local Authorities - local councils face substantial funding gaps due to escalating social care demands. The County Council Network (CCN) estimates a £30 billion shortfall, making the implementation of reforms like the social care cost cap unfeasible without additional resources⁷.
2. Service reductions: to manage budget constraints, Local Authorities may reduce or eliminate non-statutory services, adversely affecting community support programmes and preventive care initiatives. Many care providers may have no option other than to leave the sector, creating high-cost supply and demand challenges. In a recent survey, the Nuffield Trust engaged with over 1800 care providers and:
 - 73% will have to refuse new care packages from local authorities or the NHS
 - 57% will hand back existing contracts to local authorities or the NHS
 - 77% will have to draw on reserves
 - 64% will have to make staff redundant
 - 92% of providers who also serve people who pay for their own care will be forced to increase rates for self-funders. Many self-funders will be unable to bear extra costs and may reduce care or rely more on family carers.
 - 22% are planning to close their businesses entirely.

⁷ <https://www.ft.com/content/5fcc6109-5b31-4f7f-b788-b0efec186b60>

3. Costly delayed discharges: patients ready for discharge may have to remain hospitalised due to insufficient social care support, causing 'bed blocking' and limiting hospital capacity for new patients.
4. Financial hardship: without reforms like the proposed £86,000 cap on personal care costs, vulnerable individuals may face substantial expenses, potentially depleting life savings and leading to financial insecurity.
5. Unpaid carer burden: family members often assume caregiving roles due to inadequate formal care services, leading to emotional and financial strain. Unpaid carers save the UK Government an estimated £162 billion annually, highlighting their critical yet unsupported role.
6. Inevitable service quality decline: financial pressures can lead to reduced staffing levels and compromised care quality, directly affecting individuals' well-being.
7. Broader economy productivity loss: the reliance on unpaid carers can result in reduced workforce participation, negatively impacting overall economic productivity.
8. Increased public expenditure: delays in social care reform can lead to higher long-term costs for the government, as emergency interventions become necessary to address systemic failures.

What contribution does adult social care make to the economy and HM Treasury and how might this change with action on reform?

The adult social care sector is a major volume employer, with a workforce of approximately 1.5 million people. This workforce is essential in providing care to the elderly and disabled populations, thereby supporting the overall economy. The sector contributes significantly to the UK's Gross Domestic Product (GDP) through the services it provides and the employment it generates.

According to research at the Independent, 81% of councils are on course to overspend on adult social care budgets, leading to a collective funding gap of £83.7 million for the year ending March 2024. This has huge cost implications.

Implementing comprehensive reforms to address the fiscal cliff faced by contracted care provision, could stabilise the sector, leading to increased employment opportunities and a more substantial contribution to the economy. With adequate funding and structural reforms, the quality and accessibility of social care services would improve, leading to better outcomes for service users and their families.

Should the Government choose to ignore the budgetary strains pushed to care providers, NFP and charities, informal caregiving responsibilities could force many people, particularly women, to leave the workforce or reduce their working hours. The care sector, a significant employer, would face further widespread job losses, impacting local economies and national GDP. Additionally, the Government would need to allocate emergency funds to manage associated crisis, putting huge additional costs on the public finances.

To what extent are the costs of inaction on Adult Social Care Reform considered by the Government when evaluating policies, including within the Budget and Spending Reviews? How should these costs be assessed and evaluated?

Historically, the UK Government has acknowledged the challenges in adult social care but has often delayed comprehensive reforms. This hesitation has led to increased pressures on the NHS and local authorities. The fact the Health and Social Care Committee has launched this inquiry to assess the financial and personal costs of inaction, indicates a growing recognition of the issue.

Strategic frameworks such as the *'Adult Social Care Intervention Framework for Local Authorities,'* outline approaches to intervene and support failing care services. The Government has announced plans to reform social care, including proposals for a 'National Care Service' and initiatives to improve integration between the NHS and social care systems. While these reforms represent a long-term strategy, they fail to address the immediate challenges facing the sector. The care industry is already under significant strain due to chronic underfunding, despite ongoing Government investments, and this has resulted in persistent crises in care delivery.

The introduction of increased costs linked to National Insurance and the National Minimum Wage will further exacerbate these difficulties. For care providers, these rising expenses may prove unsustainable, placing additional pressure on an already fragile marketplace. The development of a National Care Service, while promising as a long-term solution, raises concerns for existing providers. If implemented without robust support and transitional frameworks, there is a risk that providers could face financial instability, potentially leading to closures and disruptions in care services.

These challenges highlight the urgency of addressing short-term funding and operational barriers to ensure the survival of the sector while developing and transitioning to a more integrated national framework for care delivery. Failure to act promptly risks deepening the crisis and undermining the very foundations of the UK's social care system.⁸

December 2024

⁸ <https://www.careengland.org.uk/social-care-system-in-sustained-crisis-despite-record-government-investment-report-finds/>