

FORECASTING THE COST OF CARE

Last updated July 2024



INTRODUCTION

When advising on paying for care, it is important that any financial solution takes account of both current and projected fee levels, as well as the possibility of increased fees as a result of increased needs. Without a crystal ball this is only ever going to be an inexact science, but an understanding of past trends and existing reliable data can at least help inform decision making

THE ISSUE

When establishing a financial plan in respect of care fees, forecasting the rate of fee increases is something that all advisers will need to attempt.

Given the disparate nature of care provision and funding, coupled with the cost implications for providers stemming from the Covid-19 pandemic, this is something of a challenge.

This Key Information Sheet provides historic fee data that we hope will be of help.

RESIDENTIAL CARE

Yr. ending 31/3	Care homes	Annual increase	Nursing homes	Annual increase
2010	£481	5.9%	£678	3.0%
2011	£502	4.4%	£691	1.9%
2012	£521	3.8%	£705	2.0%
2013	£539	3.5%	£722	2.4%
2014	£556	3.2%	£737	2.1%
2015	£562	1.1%	£762	3.4%
2016	£580	3.2%	£787	3.3%
2017	£608	3.8%	£829	5.3%
2018	£622	2.3%	£856	3.3%
2019	£650	4.7%	£893	4.3%
2020	£677	3.33%	£927	3.81%
2021	£702	4.16%	£961	3.67%
2022	£730	3.99%	£1000	4.06%
2023	£800	9.59%	£1078	7.80%

The above table represents weighted averages from the authoritative *Laing Buisson Care Homes for Older People, thirty third edition study (2023)*, and illustrates the fact that care home fees have been rising at above-inflation rates for most of the past decade. The UK inflation rate hovered around 2% at the end of 2018-19, but care home fees increased at more than double that rate (4.7%). This was the largest annual hike in care home fees in 10 years. The UK's inflation rate in March 2023, as measured by the Consumer Price Index (CPI), was 10.1% with care home fees increasing dramatically since March 2022.

There are of course significant regional disparities. For example, according to the Knight Frank 2021 UK Care Homes Trading

Performance Review, average weekly fees in 2021 increased by 6.7% but the region with the highest increase was the East of England, up by 11.7% on the previous year.

However, it is well known from a variety of sources that post-recession government austerity measures led to a sustained period of sub-2% uplifts in state-paid (local authority) fees from 2011/12. However, the impact of this on overall fee inflation was muted because at the same time as state-paid fee uplifts were being held down, there was a compensating rise in self-funding fees. Unfortunately, data that separately highlights state-paid and self-paid fee inflation is hard to come by, so data in the above table is likely to understate the position for self-funders.

At the time of the latest update of this Key Information Sheet (July 2024) the latest inflation rate had reduced to 2.1% but as care homes try to recover from the pandemic and local authority funding remains tight, increases in residential care fees for self-funders are likely to still increase over and above this rate for some time.

DOMICILIARY CARE

Data extracted from the annual NHS Adult Social Care Activity and Finance Report 2020/2021, highlights an average cost of home care services of £18.44 p/hour for local authority funded individuals.

With reference to past yearly reports the table below illustrates recent percentage increases in respect of the local authority rates on the year before.

Yr. ending 31/3	Hourly fee	% increase on year before
2020/2021	£18.44	5.49%
2019/2020	£17.48	3.68%
2018/2019	£16.86	2.9%
2017/2018	£16.38	1.6%
2016/2017	£16.12	4.8%
2015/2016	£15.38	

In terms of forecasting it is worth taking note of the fact that the UK Home Care Association (UKHCA) has been actively pushing for a minimum hourly fee for homecare services of £28.53 per hour from April 2024 that allows for full compliance with the National Living Wage and the delivery of sustainable homecare services to local authorities and the NHS.

OTHER FACTORS

Regional variations are a significant variable when looking at current fee levels as of course are the varying types and standards of services provided. Suffice to say that in the absence of a significant political intervention in the delivery and cost of care services, the current level of underfunding across the care sector combined with the additional costs incurred in dealing with and recovering from Covid-19 suggests that care fees are likely to increase at rates higher than the prevailing rate of inflation.

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