

# Adult Specialist Care – UK Market Report

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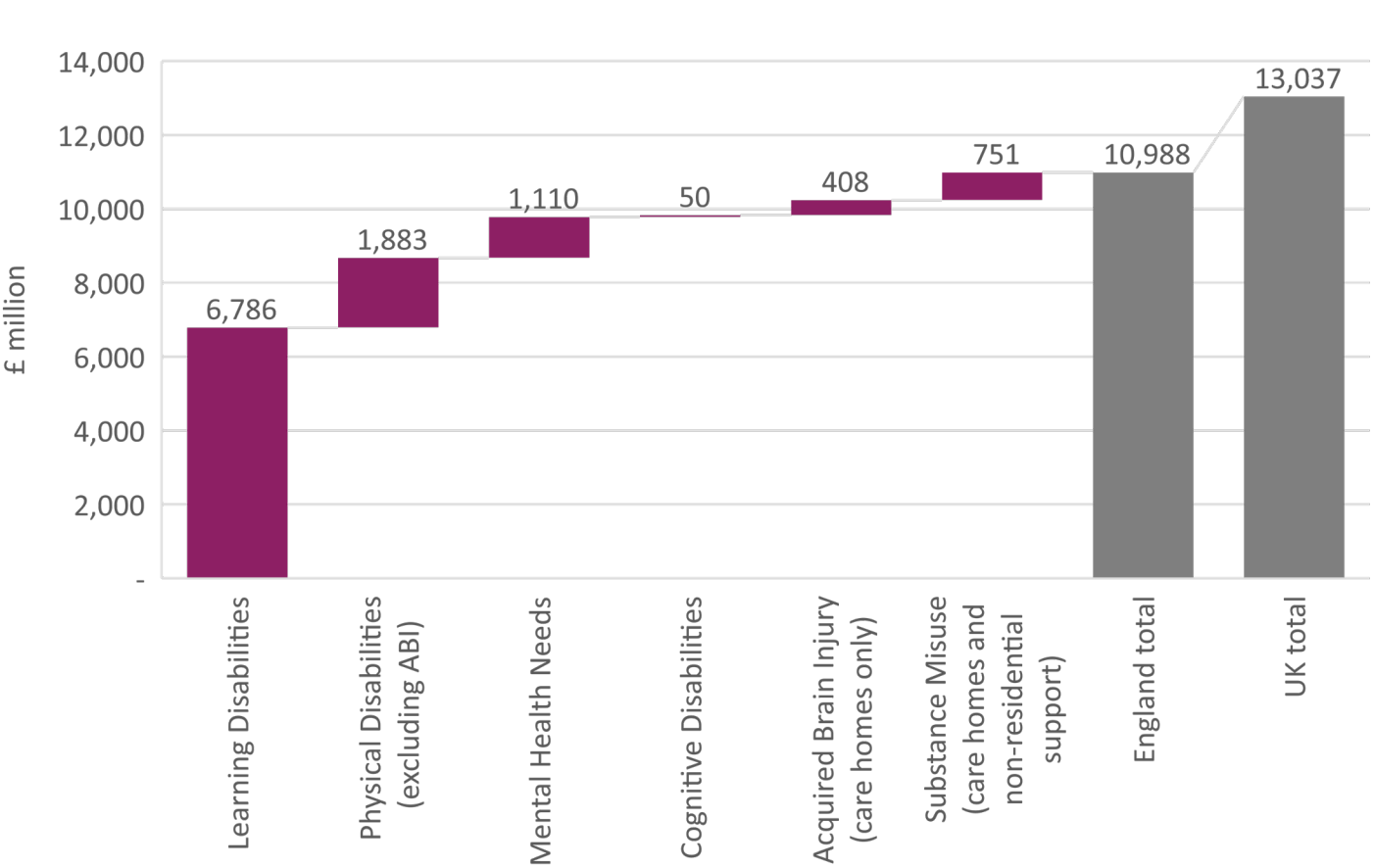
William Laing, Executive Chairman LaingBuisson

Wednesday 20<sup>th</sup> October 2021

# What's in the report?

- Highlights and Executive Summary
- **Market** (Definition, size, trends, funding profile, customer profile, growth, demand drivers, operational metrics and business models, financial and quality performance measures)
- Politics and regulation
- Payors
- **Market structure** (Concentration, major groups, exits and entries, scale economies, capital sources)
- Investors
- Market potential

# Adult specialist care market value (res + community), England 2019/2020 and UK projection, £m

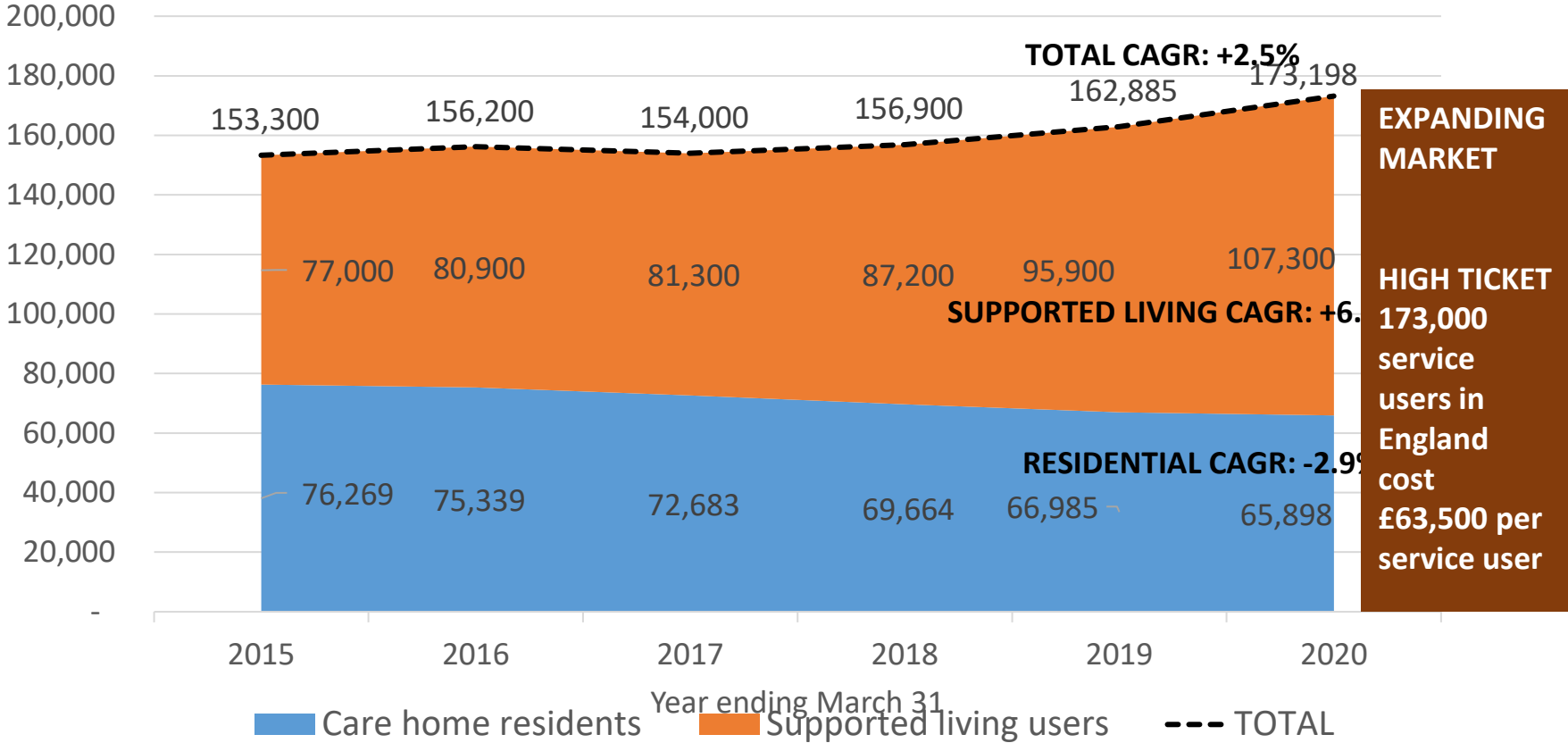


**£13 BILLION MARKET**

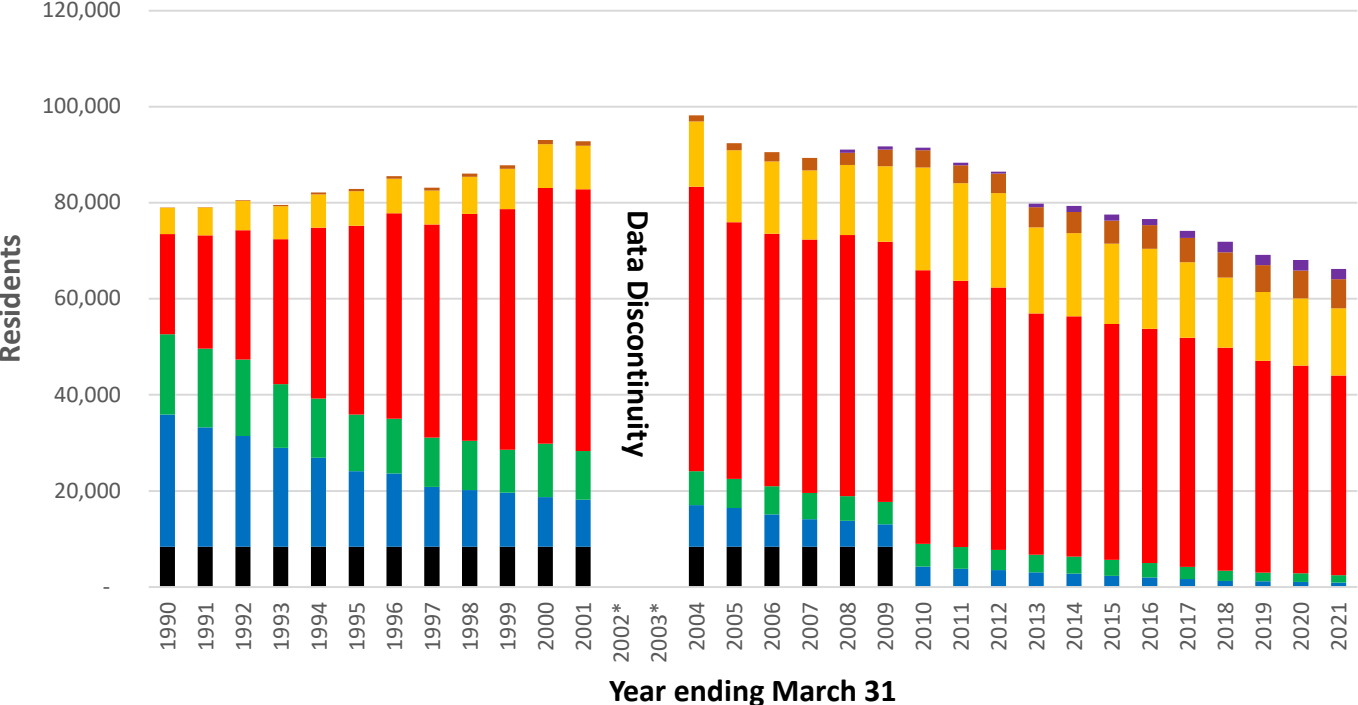
**95% SUPPLIED BY INDEPENDENT SECTOR (for-profit and npt-for-profit)**

**23% OF ENTIRE (£56 BILLION) INDEPENDENT HEALTH & SOCIAL CARE SECTOR**

# Adult specialist care market service users, England 2015-20



# Care homes for younger adults - occupied beds at March, England 1990-2021



Historic decline in residential care

Driven by shift to supported living

Will the residential decline continue?

- Adjustment for data discontinuity 1
- NHS residential settings
- Local authority staffed homes
- Independent residential
- Independent nursing
- Shared Lives
- Independent substance misuse rehab

## Adult specialist care major groups' market share by value, UK circa. 2020

Organisation	Sector	Accounts Year ending	Annual(ised) Turnover from Accounts £m	Estimated Turnover from Adult Specialist Care £m	Market share	Cumulative market share
			£m	£m	%	%
Voyage Care	For-profit	Mar-21	274		2.1%	2.1%
Lifeways Group	For-profit	Aug-20	261		2.0%	4.1%
Priory Group (Adult Care Division)	For-profit	Dec-20	248		1.9%	6.0%
Dimensions (UK) Ltd	Not-for-profit	Mar-20	202		1.5%	7.6%
Achieve Together <sup>2</sup>	For-profit	Mar-21	191		1.5%	9.0%
Mencap (trading activities)	Not-for-profit	Mar-20	179		1.4%	10.4%
Leonard Cheshire Disability (trading activities)	Not-for-profit	Mar-20	140		1.1%	11.5%
CareTech (Adult Services Division) <sup>1</sup>	For-profit	Sep-20	136		1.0%	12.5%
Turning Point	Not-for-profit	Mar-20	128		1.0%	13.5%
Active Care Group	For-profit	Mar-20	108		0.8%	14.3%
Envivo (incorporating Heathcotes and New Directions)	For-profit	Mar-20		100	0.8%	15.1%
Community Integrated Care <sup>3</sup>	Not-for-profit	Mar-20		97	0.7%	15.8%
Accomplish (formerly Trascare)	For-profit	Mar-20	88		0.7%	16.5%
Exemplar Health Care	For-profit	Mar-20	88		0.7%	17.2%
Hft (trading activities)	Not-for-profit	Mar-20	83		0.6%	17.8%
The Disabilities Trust	Not-for-profit	May-20	50		0.4%	18.2%
Salutem Healthcare	For-profit	Mar-20	38		0.3%	18.5%
Eden Futures (aggregate of 2 operating companies)	For-profit	Mar-21	37		0.3%	18.8%
Four Seasons Health Care <sup>4</sup>	For-profit	Dec-20		36	0.3%	19.0%
All other providers			10,555		81.0%	100.0%
<b>TOTAL ADULT SPECIALIST CARE MARKET</b>			<b>13,037</b>		<b>100%</b>	

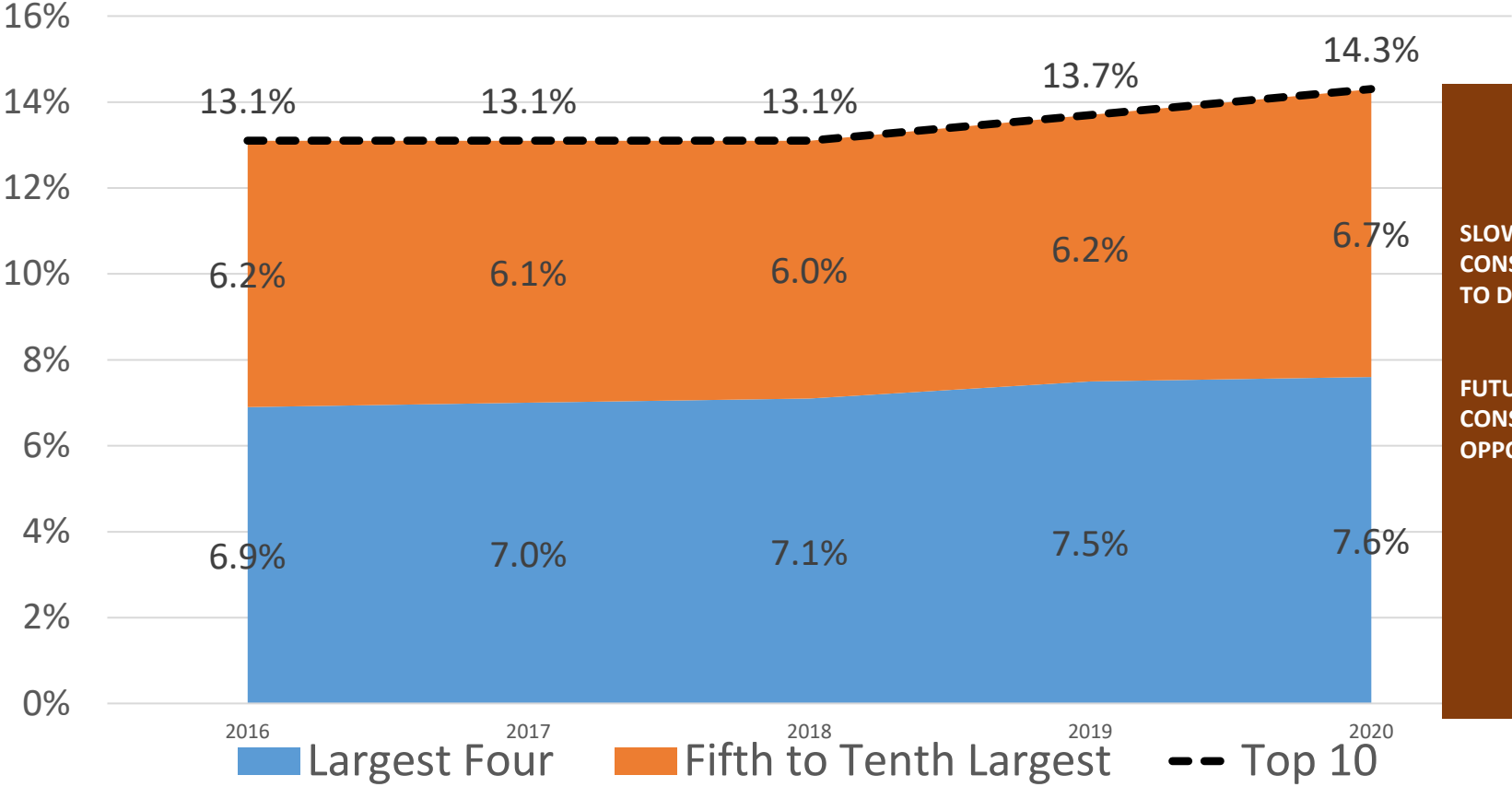
**FRAGMENTED MARKET**

**NO PROVIDER CLOSE TO £1 Billion TURNOVER**

**CONSOLIDATION OPPORTUNITIES?**

**LARGE NOT-FOR-PROFIT PRESENCE**

# Adult specialist care market concentration - share held by largest providers by value



SLOW CONSOLIDATION TO DATE

FUTURE CONSOLIDATION OPPORTUNITIES?

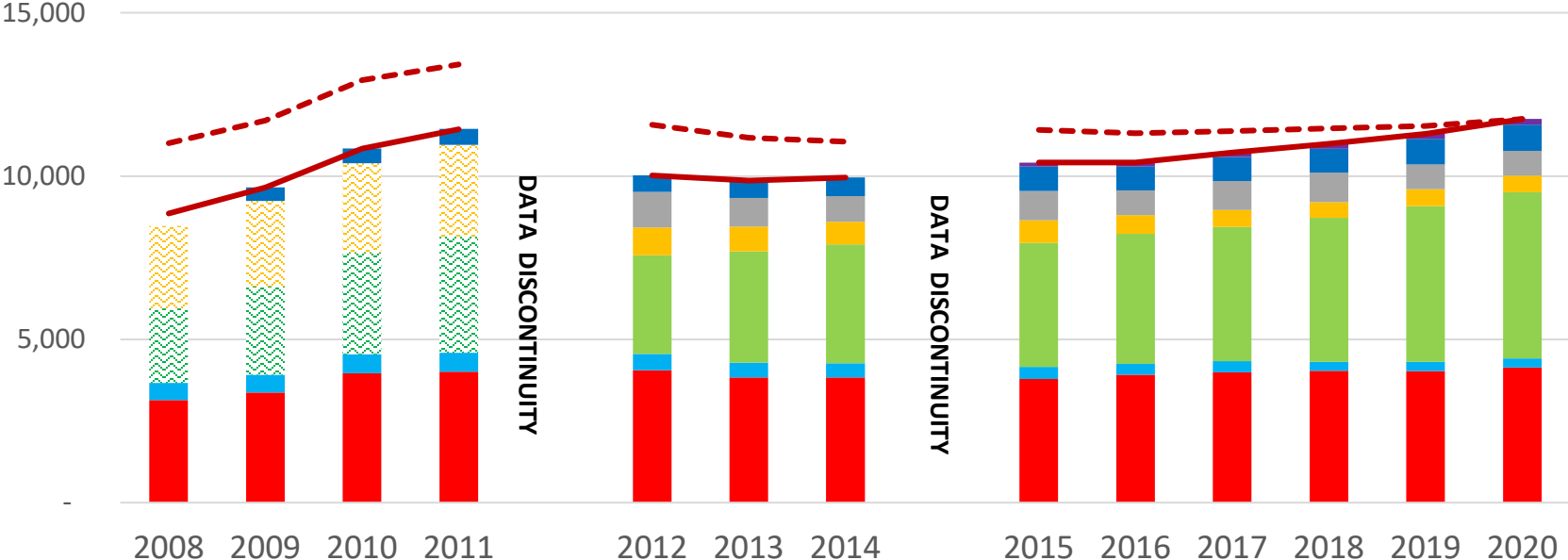
# Downsides

(social care funding and workforce issues)



# A DECADE OF AUSTERITY

## Gross spending envelope for all adult specialist care client groups in England

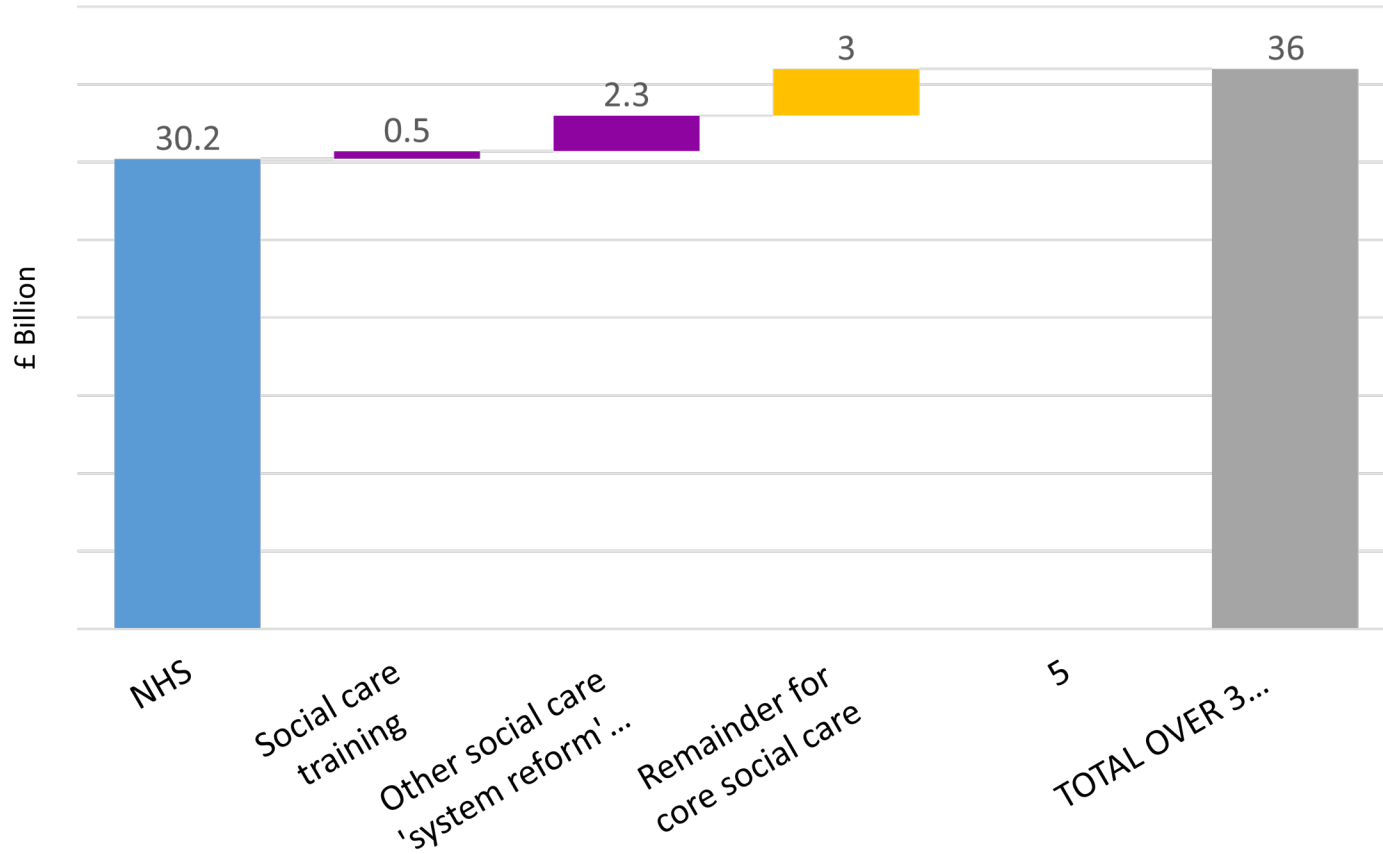


Year ending 31 March

- Privately funded homecare and supported living
- NHS funded (complex care and other)
- Council overheads\*
- Council provided non-residential (exc. Council overheads\*)
- Council outsourced non-residential (exc. Council overheads\*)

# AUSTERITY HAS NOT ENDED

## 3-year NHS and social care funding plan for England announced on 7 September 2021



SPENDING REVIEW (November) unlikely to announce new funding injection into social care

UNFUNDED COST INFLATION

UNCERTAINTY ABOUT COUNCILS USING PRECEPT TO BRIDGE THE FUNDING GAP

On the +ve side  
SHIFT FROM RESIDENTIAL TO SUPPORTED LIVING WILL RELIEVE FINANCIAL PRESSURES ON COUNCILS – central govt. pays property costs)

# Workforce

- Historic data
  - Close to minimum wage
  - High turnover
  - Loss of European workers
  - Covid stress

New challenges (no hard data yet)

- Staff shortages and pay inflation across the whole economy
- Adult specialist care employers will find it difficult to compete

# UPSIDES

## ATTRactions TO INVESTORS – adult specialist care

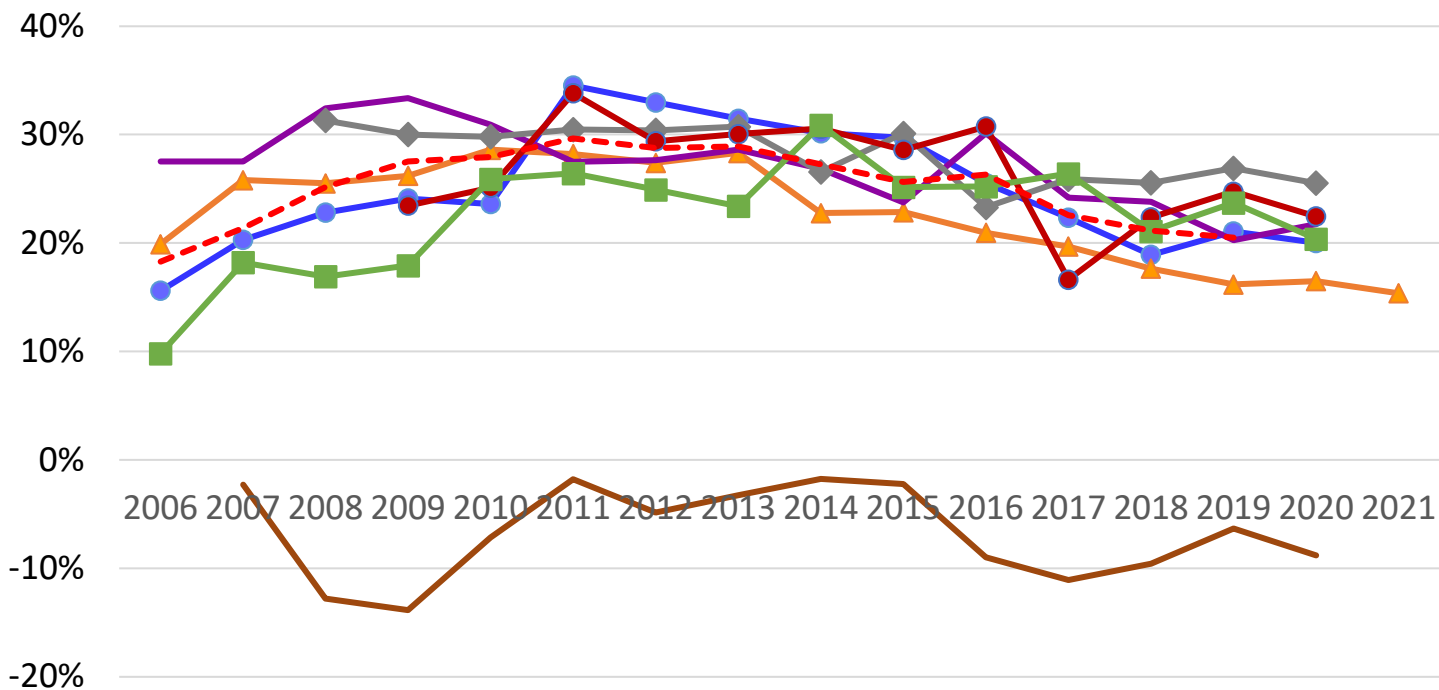
- Relatively protected funding
- Property costs underwritten by central government welfare system
- Good visibility of future earnings
- ‘Stickiness’ of long-term service users
- High acuity – barriers to entry
- Consolidation (buy and build) opportunities for private equity

# Covid – little if any financial detriment for adult specialist care

- Care homes for older people have seen significant financial detriment because of:
  - age profile of residents
  - larger scale homes (more staff going in and out)
  - high levels of intimate personal care (especially dementia)
  - excess deaths during 1<sup>st</sup> wave represented 10% of customer base
- Other adult social care markets have been less severely affected
  - Adult specialist care homes and supported living (younger age profile, smaller scale settings, low levels of intimate personal care)
  - Home care (better shielded, aided by social isolation)
  - Review of nearly 100 statutory accounts of adult specialist care home, supported living and homecare providers posted in 2021 show little or no net financial detriment

# PROFITABILITY

## Profitability of adult specialist care home groups, EBITDAR as % revenue



EBITDAR MARGINS DOWN FROM HIGH TWENTIES to AROUND 20% AFTER DECADE OF AUSTERITY.

MARGIN PRESSURE MORE LIMITED THAN IN OLDER PEOPLE'S CARE HOMES SECTOR

● Priorly Specialist Division (y/e Dec)  
 ● CareTech (y/e Sept)  
 ● Exemplar Healthcare (y/e March)

▲ Voyage (y/e March)  
 ◆ PrimeLife (y/e March)  
 ■ Achieve Together (y/e March)(1)



## *Profitability of for-profit supported living groups*

- The two largest supported living (service) providers are Lifeways (£261m turnover) and Eden Futures (£37m). Too few to display sector profitability trends
- Not-for-profits tend to target just above break even (many with substantial reserves)

# SWOT

