

Written submission for the Communities and Local Government and Health Select Committee joint inquiry into the long-term funding of adult social care

The Care Quality Commission (CQC) is the independent quality regulator of health and adult social care in England. Our purpose is to make sure health and social care services provide people with safe, effective, compassionate, high-quality care and we encourage them to improve.

This submission provides an overview of CQC's findings from our regulatory oversight of the adult social care sector, as well as our views on the barriers and opportunities to achieving high quality sustainable adult social care in England. It brings together information from our reports and findings, including 'State of Care 2016/17'¹, 'State of Adult Social Care'² and the 'Local System Review interim report'³.

Our key messages to the committee, and the wider system, are that:

- In our 2015/16 State of Care report, we said that social care was approaching a 'tipping point' and with the precarious nature of the market this danger has not disappeared.
- Resource is required now to stabilise the system, alongside a long-term sustainable funding solution within a reformed system.
- CQC's market oversight responsibilities enable us to monitor the sustainability of those care organisations in England that local authorities would find difficult to replace⁴. Emerging data from this work suggests that the profitability of adult social care provision is falling.
- In this precarious environment, there needs to be a continued focus on improving quality and safety. CQC will contribute to this to ensure that people receive the safe, high quality and compassionate care they deserve and have every right to expect.

Context

1. Adult social care can transform people's lives for the better. It is the largest sector that CQC regulates, with a large number and range of providers, a strong private sector and voluntary sector, and wide differences in the size and types of services and care provided.
2. The adult social care system faces a number of financial and resourcing challenges: the combination of a growing and ageing population, people with more long-term conditions, difficulties in the recruitment and retention of staff and a challenging economic climate means greater demand on services and more problems for people in accessing care.
3. Since 2013 CQC has been undertaking a rigorous and expert-led inspection and ratings system. We ask five key questions that focus on what matters most to people using services – are services safe, caring, effective, responsive and well-led? Our inspections and ratings allow us to highlight those services that are delivering high-quality care, and recognise and act when we find poor care.
4. CQC has also been asked by the Government to carry out a programme of targeted 'system' reviews in 20 local authority areas to find out how health and social care services are working together to support and care for people aged 65 and older.

¹ http://www.cqc.org.uk/sites/default/files/20171123_stateofcare1617_report.pdf

² <http://www.cqc.org.uk/publications/major-report/state-adult-social-care-services-2014-2017>

³ https://www.cqc.org.uk/sites/default/files/20171219_local_system_review_interim_report.pdf

⁴ <http://www.cqc.org.uk/guidance-providers/market-oversight-corporate-providers/market-oversight-adult-social-care>

5. Since April 2015, CQC has also had a statutory responsibility to monitor and assess the financial sustainability of those care organisations in England that local authorities would find difficult to replace should they fail and become unable to carry on delivering a service¹.
6. We have found that quality has been maintained in the toughest climate most can remember. This is testament to the hard work and dedication of staff and leaders. Many services that were previously rated as inadequate have recognised our inspection findings, made the necessary changes and improved. Safety continues to be a focus of our work, but we have also seen improvements where providers have clear systems and governance in place that enable learning and improvement from safety incidents, and where staff are encouraged to raise concerns.

Tipping point

7. In our 2015/16 State of Care report, we said that the sustainability of the adult social care market was approaching a 'tipping point', where the fragility of the market is beginning to impact both on the people who rely on these services and on the performance of secondary care. This statement was made on the basis of five pieces of evidence: quality, bed numbers, market fragility, unmet need and local authority funding.
8. In our 2016/17 State of Care report we highlighted that, in some areas of the country we saw that care has moved further away from a tipping point, while in other areas it has moved closer to that point. Due to fragility of the sector, influenced by funding and resource pressures, **the risk of adult social care approaching that tipping point is still real.**
9. Our inspections have found that the **quality** of services is on the whole high, as at 2 March 2018, over three-quarters (79%, 17,045) of adult social care services were rated Good, and 2% (483) Outstanding. However, there is too much poor care: 2% (348) of services are rated as Inadequate, and 18% (3,799) as Requires Improvement. Since 2015/16 overall we have seen more services improve than we have seen deteriorate; however we have seen services struggling to improve (paragraph 34). The difficulties some providers experience in making improvements and the deterioration we have seen in services originally rated as good or outstanding, point to a fragility in the sector that needs to be addressed.
10. Between 2013 and the first quarter of 2017, we have estimated that 20,959 beds were lost from nursing homes that closed, along with 33,807 beds from residential homes over the same period (54,766 in total). At the same time, we have estimated that 26,041 nursing home beds and 20,023 residential home beds entered the market for the first time over the same period (total 46,064). Over this period we have therefore seen **more beds exiting the market than entering**, although there are clear differences between nursing homes and residential homes in respect of these trends, as well as variations across the country. Between April 2015 and April 2017 there was a 2% reduction in the number of nursing beds (3,786), in some areas this is higher than 20%, reaching 58% (129 beds) in one local authority.
11. While so far the sector has been more resilient than some anticipated, we are concerned about the **fragility of adult social care** and the sustainability of quality outlined above. This is concerning for the continuity and quality of care for people using those services, and for the knock-on effects across the whole health and care system: more emergency admissions in A&E, more delays for people ready to leave hospital, and more pressure

on other services. We have heard about providers handing back public sector contracts, and leaving the market due to negligible profits. This is explored in further detail below.

12. The availability of social care is a challenge we have seen in the areas we have visited during our Local System Review⁵ work, especially in nursing homes, specialist care homes (for example, care homes specialising in dementia care), and in domiciliary care. Estimates suggest that 1.2 million people are **not receiving the help they need** (one in eight older people), this is up 18% since the previous year and is a 48% increase from 2010. Age UK estimates⁶ that an additional £4.8 billion a year is needed to ensure that every older person who currently has one or more unmet need has access to social care; they estimate that this will rise to £5.75 billion by 2020/21.
13. In March 2017 the government announced an additional £2 billion **funding for adult social care**, to be given to councils over the next three years. Whilst the full impact of this funding is yet to be seen, we have seen that some providers, particularly in domiciliary care, have withdrawn from local authority funded contracts where they felt there was too little funding to enable them to be responsive to people's needs⁷. Additionally the total volume of local authority funded care has decreased due to ever tightening eligibility criteria⁸. It appears that many care homes are relying on higher prices charged to self-funders to remain viable, even when providing the same services. Self-pay fees are now, on average, 41% higher than those paid by local authorities in the same homes⁹. The Competitions and Markets Authority (CMA) observed that nearly all new care homes being built are in areas where they can focus on self-funders¹⁰. Where local authority rates are below total cost, those care homes that can attract self-funders are likely to move away from serving a mix of residents. Additional funding will be needed to support further care homes that would not be sustainable without the benefits of this price differential.
14. With little changing to ease pressures in terms of quality, bed numbers, market fragility, unmet need and local authority funding; combined with some services struggling to improve, the danger of adult social care approaching its tipping point has not disappeared. If it tips, it will mean even more poor care, less choice and more unmet need for people.

Market oversight

15. Through our market oversight team, we have access to detailed financial information about the largest adult social care providers. We have seen profit margins reducing – both due to pressures on fees that funders of care are able or willing to pay, and cost pressures that include, amongst other things, the impact of the national living wage. We continue to see large providers handing back home care contracts and closing care home locations that they no longer consider to be economically viable.
16. Emerging data from our market oversight work also suggests that the profitability of adult social care provision is falling. Since April 2015, CQC has been monitoring the financial stability of certain adult social care providers that are considered to be 'difficult to replace', either because they are large national operators (of both care homes and home

⁵ <http://www.cqc.org.uk/publications/themes-care/our-reviews-local-health-social-care-systems>

⁶ [https://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/The Health and Care of Older People in England 2016.pdf?dtrk=true](https://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/The_Health_and_Care_of_Older_People_in_England_2016.pdf?dtrk=true)

⁷ <https://www.adass.org.uk/media/5994/adass-budget-survey-report-2017.pdf>

⁸ <https://www.laingbuissonnews.com/newsletter-archives/care-markets/home-truths-uk-homecare-services/>

⁹ <http://www.laingbuisson.co.uk/MediaCentre/PressReleases/CareCost7ed.aspx>

¹⁰ <https://www.gov.uk/government/publications/care-homes-market-study-summary-of-final-report/care-homes-market-study-summary-of-final-report>

care) or because they provide very specialist services. Our data shows the severe financial strain that majority of local authority funded providers continue to be exposed to.

17. Care home providers with more than half of their turnover funded by local authorities achieve, on average, 10% less fee income per bed and generate over 25% less profit per bed, compared with all care home providers in the scheme.
18. In domiciliary care, we continue to see profit margins being eroded. The primary drivers for this are pressure on fees and increased staff costs driven by higher wage and agency costs. Falling profitability could make the sector less attractive to providers, thus reducing the amount of provision and increasing the demand on existing services.
19. Furthermore, there is substantial churn in the provision of domiciliary care. In State of Care 2016/17 we highlighted that there were around 500 agencies registering with us each quarter and around 400 deregistering. There are now almost 9,000 domiciliary care agencies registered with CQC so this is equivalent to between 4 and 6% turnover.
20. CQC has no responsibility or regulatory power to intervene to prevent the failure of any of these providers. Instead, we are required to inform local authorities when we believe that service cessation as a result of business failure is likely to happen, in order to seek to assist local authorities with their responsibility to ensure continuity of care.
21. In addition, CQC has no responsibility or regulatory power to monitor and assess the financial sustainability of the adult social care sector as a whole.

Resource is required

22. Resource is required now to stabilise the system, alongside a long-term sustainable funding solution within a reformed system.
23. As outlined above, we know from our registration information that there is a net decline in the provision of nursing beds (paragraph 10), as well as a lack of stability in domiciliary care services (paragraph 19). These two sections are important in any long-term transformation and therefore it is important that there is sufficient resource to help stabilise them in the short term.
24. The challenge faced by services has a direct impact on their staff. Staff working in the adult social care sector are under huge pressure. The combination of greater demand and unfilled vacancies means that staff are working ever harder to deliver the quality of care that people have a right to expect. However, there is a limit to their resilience. Any long-term funding solution must recognise this, and provide resource to support the development of a capable and confident workforce.
25. Our comprehensive inspection programme identified innovation as an important characteristic of Outstanding services, with good leaders described as being 'innovative' or 'creative', especially when adopting really person-centred practice and solutions to individual care needs, instead of simply seeing the risks or barriers to innovation. Alleviating fears about long-term sustainability may create sufficient headroom for services to innovate, whilst also maintaining a focus on safety.
26. Uncertainty over the sustainability of funding, highlighted in the recent NAO study on the financial sustainability of local authorities¹¹, makes it difficult for local authorities to plan

¹¹ <https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

care to meet the needs of the local population, whereas a sustainable long-term funding solution, would better enable those responsible for health and care systems to do so.

Local system reviews

27. The interim report of our Local System Review work¹², found that a lack of coherence across health and care systems has an impact on the quality of care people are likely to receive. Without good relationships and a shared, agreed vision between system partners, achieving positive outcomes is significantly compromised. Relationships between system partners plays a major role in the coordination and delivery of joined up health and social care services that meet the needs of the local population. Currently the focus on individual organisational outcomes is distracting from the needs of the wider system to work together effectively for the people it serves. Health and social care commissioners do not consistently have robust systems in place to be able to predict demand and proactively shape the structure of the market supply (planning for capacity, workforce and skill mix, quality, and innovation).
28. For additional capacity to be in place to meet future demand, local authorities need to be taking the appropriate action in good time to encourage appropriate investment including through: accurate and informed planning about future needs for care and the approach that will be taken to future care provision, taking the necessary commissioning steps on the basis of those plans and attracting the investors to build required capacity. In our Local System Review work we found that local authority approaches to this 'market shaping' role are very variable, with some local authorities displaying detailed engagement and innovative approaches, but many not.
29. The extent to which local leaders are working effectively together across the system is a key factor in the outcomes for people. An ongoing role for an independent body to review how well local systems work together, as recommended by the Competitions and Market's Authority (CMA)¹³ and the Communities and Local Government Select Committee¹⁴, would be valuable. The metrics by which system performance is measured must incentivise behaviour that supports high-quality joined-up services. In addition, the duplication and inefficiency of information-sharing caused by the different ways in which individual local authorities and clinical commissioning groups assess quality needs to be addressed to ensure the system deals in a consistent measure of quality.
30. To date, the adult social care sector has been more resilient than some anticipated. However, our picture of the sector, built through our comprehensive inspection process and our market oversight role, highlights concerns about the fragility of adult social care and the sustainability of quality. To overcome these pressures more resource is required now to stabilise the system. But this alone is not sufficient to ensure sustainability of services and quality of care for people. There must also be long-term, sustainable funding within a reformed social care system.

Quality

31. There also needs to be continued focus on improving quality. Through our regulation of the adult social care sector, we have found that thus far quality has been maintained, and this is testament to the hard work and dedication of staff and leaders. However, as the system faces continued financial challenges and a demographic trend which will see an increase in the number of people who will require services, the challenge will be for services to maintain the quality and safety of the care they provide.

¹² http://www.cqc.org.uk/sites/default/files/20171219_local_system_review_interim_report.pdf

¹³ <https://www.gov.uk/cma-cases/care-homes-market-study>

¹⁴ <https://publications.parliament.uk/pa/cm201617/cmselect/cmcomloc/1103/110302.htm>

32. Of our five key questions, CQC found the adult social care sector performed best in how 'caring' its services were, with 92% (19,864) being rated as Good and 3% (689) as Outstanding in this key question (correct as at 2 March 2018). In these services, CQC found staff building meaningful relationships with the people who they care for over time and treating them with compassion, kindness, dignity and respect.
33. Safety is where CQC has found its greatest concerns for adult social care, with 20% (4,401) of services being rated as Requires Improvement and 2% (397) as Inadequate in this key question (correct as at 2 March 2018). Issues uncovered by CQC include ineffective systems and processes for managing medicines or determining staffing levels, which can result in people not getting their prescribed medicines, call bells not being answered, and home visits being rushed or missed.
34. We have seen both improvement and deterioration in quality. For example, as at 31 July 2017:
- Of the 740 services that were originally rated as Inadequate and have been re-inspected, more than four in five (82%, 606) improved their overall rating.
 - For services rated as Requires Improvement initially, only 58% (2,646) improved to Good.
 - 23% (719) of the services that were first rated as Good and have been re-inspected have deteriorated.
35. Whilst some services have used CQC's inspections and ratings to understand the specific areas where improvements are needed, other services have struggled to improve. Others have been unable to sustain the level of good practice and have deteriorated – demonstrating the fragility of the sector. It appears to be increasingly difficult for some providers to deliver the safe, high-quality and compassionate care people deserve and have every right to expect.
36. We know that high quality care transforms people's lives. It supports people to stay more independent, improve their wellbeing and reach out to others. High-quality care enables people to manage their own needs and to live life to the fullest – even when they face challenges because of their circumstances. However, funding shortages have an impact on this. While many care homes can cover day-to-day costs, they are not able to cover additional investment and this may impact on quality, limiting improvement and innovation.
37. The publication of **Quality matters**¹⁵, a shared vision for how quality care and support can be achieved and person-centred care can become the norm for all, is an important step which has not happened previously. The vision should help to ensure a continued focus on improving quality. However, the challenge is now for both the signatories and the sector as a whole to make this vision a reality. It is an important basis to ensure the conversation about the future of adult social care focuses not just on how much funding is available, but what that funding is spent on – and whether it delivers high quality, person-centred care.
38. CQC understands there are financial pressures facing the adult social care sector, but this does not mean that we will compromise on our purpose: to make services provide people with care that is safe, effective, compassionate and high-quality.
39. Our inspections show that services of all types and in all circumstances can provide high-quality care for people. Where there is poor care, we will encourage improvement,

¹⁵ <https://www.gov.uk/government/publications/adult-social-care-quality-matters>

but we will also take action to stop unsafe care and protect people from abuse and avoidable harm.

40. With demand for social care expected to rise over the next two decades, the fragility of the market is more worrying than ever. CQC will not hesitate to take action when care fails to meet the fundamental standards and it is undeniable that quality must be at the heart of any long-term reform of social care in England. With this in mind, CQC will continue to keep its relentless focus on quality. Our regulation will continue to become more targeted, risk-based and intelligence-driven over the next few years. We will continue to assess the quality and safety of services and rate them so the public can make informed decisions about their care, and the care of their loved ones.

In conclusion

41. The risk of the adult social care sector reaching “tipping-point” has not dissipated with concerns remaining about the sustainability of quality, services exiting the market, unmet-care need, the challenges to the provision of local-authority funded care and the overall fragility of the market.
42. Insight from market oversight, combined with our unique view of the quality of adult social care services from our comprehensive inspection programme and our local system review work has informed our understanding of the pressures facing the system. To overcome these pressures more **resource is required now to stabilise the system, alongside a long-term sustainable funding solution within a reformed system.**
43. With this in mind, CQC will continue to assess the quality and safety of services and rate them so the public can make informed decisions about care. Any proposals to “reach a long-term, sustainable solution to providing the care older people need” must include a focus on the provision of high-quality, person-centred care, and any oversight role must encourage the provision of high-quality, joined-up services that deal in a consistent measure of quality.

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March 2018