

Steps operators can take to combat impact of the National Living Wage

CARE homes are facing a 'fight for survival' following the introduction of the National Living Wage, according to care home specialist Caresolve.

The company has carried out analysis showing the likely impact on an average operator's profits based on the phasing in of increases in the NLW during the period 2016-21.

The Chancellor's Autumn Statement in November confirmed that the NLW will increase to £7.50 per hour from April.

Previous announcements have put in place a target of £9 per hour by April 2020.

The analysis has factored in a corresponding increase of average weekly fees of two, three and four per cent, each April in line with the increases in NLW.

It assumed an occupancy level of 95 per cent throughout and that similar NLW increases will continue beyond April 2020.

Caresolve's findings showed that an increase in weekly fees of two per cent per annum will result in profits plummeting to 70 per cent of current levels by 2021.

Even an increase of three per cent will be insufficient to maintain profits

at the current level beyond 2019.

Richard Shore, Caresolve's finance director who heads up Caresolve Financial, said: "Our analysis reveals the potentially devastating impact the National Living Wage will have on care homes across the UK.

"The sector is already under immense pressures, but the NLW is probably the single biggest issue keeping both large and small care home operators awake at night. Many care homes are literally facing a fight for survival.

"Unless they take urgent steps, there is no question we will be hearing about hundreds, perhaps thousands of homes, closing due to the financial stresses caused by the NLW."

Caresolve has put together a 10-point guide to help operators address the impact of the NLW on their homes:

- Understand and control your cost base.
- Look at the dependency calculation for each resident based on specific nursing / care inputs, and prepare appropriate calculations for the cost of care for each.
- Look at the profitability of your service provision.



Richard Shore

- Consider changing your service provision, e.g. is there an unmet demand in your area that could command higher fees/better occupancy rate?
- Ensure key staff are aware of the true regulatory position of the business at any point in time.
- Ensure that the business is underpinned by strong regulatory compliance.
- Review all suppliers and supplier contracts.
- Ensure recruitment and HR procedures are robust and the right people are in the right positions.
- Ensure you retain good staff to avoid unnecessary cost and disruption.
- Benchmark your business against your competitors.

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