UK private care homes facing closure

By Barry Mason
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Private care in the UK is in deep crisis. In November, Britain's largest care home company, Four Seasons Health Care, announced it was to close seven of its homes in Northern Ireland, leaving it with just three homes in the province.

The homes are due to close by March next year. Nearly 400 staff across the seven homes stand to lose their jobs.

Four Seasons runs nearly 500 homes across the UK providing 22,000 beds. The private equity firm Terra Firma, headed by financier Guy Hands who previously ran the EMI record company, bought Four Seasons in 2012 for £825 million. It now has debts of £500 million and has to make annual interest payments of £50 million in June and December. The company will have enough money to pay its December £26 million payment, but the credit rating agency Moody's has reduced its stock to junk status.

Staff were angry that they were given no advance warning of the closures. Speaking to *Radio Ulster*, Andy Graham said, "I'm totally disgusted. I feel more for the residents' families, they're going to have to get re-homed."

Four Seasons is not the only company facing financial problems.

Care England is the body representing private care providers. An *Observer* article November 1 quoted Chief Executive Martin Green that the crisis facing the care industry would dwarf the current crisis of the UK steel industry in terms of overall job losses.

Green commented, "We are looking at Redcar happening twice a month if care homes go down. These people can only be looked after in care homes and hospitals. If Jeremy Hunt (Conservative Health Secretary) thinks he has a problem with bed blocking now, it is nothing on what it is going to be like if these care homes start to close. Hospitals won't be able to do elective care because they will be full of old people."

Justin Bowden, a national officer of the GMB union, which has several thousands of members working in care homes, said, "You are looking potentially at several Southern Crosses in the next 12 months if something drastic is not done."

The reference to "Southern Crosses" relates to Southern Cross Healthcare Group, which went bankrupt in July 2011. It had been the largest provider of private care in the UK with 750 properties, 37,000 beds and employed around 41,000 staff. Like many other enterprises, it separated its buildings assets to become a management or operating company only. It leased back its homes from landlords, but due to lower occupancy rates together with lower incomes as council support for residents was squeezed it could no longer afford the rents and homes were taken over by the various landlords. In the end, all the former Southern Cross residents were accommodated by the new owners of the homes, but were subjected to a prolonged period of insecurity.

Four Seasons, along with private care home providers Bupa UK, HC-One, Care UK and Barchester, wrote to Chancellor George Osborne before his recent autumn statement. They warned that without an increase in funding "thousands of older people could be left without a home."

Speaking to the *Financial Times*, Green of Care England said care-home providers had hoped Osborne would provide an extra £3 billion but had only offered £500 million and that even this was not guaranteed. Green commented, "As a result of this, we will see care homes closing and greater pressure on the NHS. The Comprehensive Spending Review (autumn statement) was a missed opportunity to establish a long-term sustainable future for social care."

Beginning with the Thatcher Tory government in 1979, there has been an increasing drive to privatise the care sector. Previously local government authorities had provided the bulk of such provision. The drive to privatization was wholeheartedly endorsed by the Blair/Brown Labour governments following their election in 1997. Today around 75 percent of care home provision is by private companies.

In taking over provision of care home and related services, private companies have sought to undermine the working conditions of existing workers. In November 2014, following 90 days of strike action, Doncaster-based staff working for Care UK were forced to accept what was in effect a pay cut of up to 33 percent. The company, which had been given the tender to run learning disability services by Labour-controlled Doncaster Metropolitan Borough Council, forced through cuts to premium hour pay for weekends and out of hours provision.

Although local authorities no longer provide the bulk of care home provision, they are obliged to fund the cost of people in its area deemed to be in need of being looked after. The recent LaingBuisson Care of Older People market report showed 37 percent of care home residents are wholly funded by local authorities, with a further 12 percent having their fees topped up by local authorities, 10 percent funded by the National Health Service and the remaining 41 percent funding themselves.

With central government continuing to squeeze local government funding, the Local Government Association has estimated there will be a £2.9 billion annual gap in funding for social care by 2020.

In his autumn statement, Osborne gave powers to local authorities to be able to increase Council Tax by up to 2 percent. However, a *Financial Times* article of November 26 noted, "experts warned there was no guarantee that councils would spend any additional taxes on fees for local authority residents in care homes. Councils are already stretched and face competing demands for roads, school and general maintenance budgets."

Private care home providers exist to make profit, not to fulfil a social need and if a profit cannot be made providers will withdraw. Between October 2014 and March 2015, for the first time in the UK, the number of closures exceeded the number of new openings of care homes with a net loss of 3,000 beds.

The November 1 *Observer* article noted that Chai Patel, chairman of HC-One, warned "that of two-tier system is developing in Britain's care homes. A number of groups—Barchester and Care UK among them—are increasingly focusing on private residents who pay their own fees rather than using state backing. At Care UK, for example, the number of self-funding residents has risen from 26 percent to 32 percent in a year. These private homes are more profitable and account for most of the new investment …"

The Office of National Statistics forecasts there will be a 40 percent increase in the number of people over 65 in the next 17 years and that by 2040 nearly a quarter of the population will be over 65. Under capitalist society, this growing elderly population, which has contributed so much, is increasingly treated as an unwanted burden and only a tiny rich elite will be able to access the necessary services they need to live decently.