

Market concentration, supply, quality and prices paid by Local Authorities in the English care home market

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KEYWORDS: Care homes; market concentration; price; supply; quality

BACKGROUND

- The 2014 Care Act introduced a duty on English local authorities to “promote the efficient and effective operation of a market in services for meeting care and support needs” emphasising “the importance of ensuring the sustainability of the market” and “fostering continuous improvement in the quality of such services”.
- The Competition and Markets Authority have recommended that an effective procurement strategy should encourage competition amongst care homes “based on delivering good outcomes for residents [...] and value for money for [local authorities] and the taxpayer”.
- Against this background, concentration of the local supply of care home places in the hands of a relatively small number of providers would be a concern.

METHODOLOGY

- We use data from a variety of sources, including the Care Quality Commission, to investigate how the social and economic conditions in the local area may tend to promote high market concentration.
- We use this to examine how such conditions affect the supply of care home places, the average price charged to local authorities and the average quality of care in care homes for older people in England.
- In addition, we propose a new methodology for research in this area, which we argue is more robust in a context where supply, price, quality and the degree of competition are joint outcomes of the working of a complex market.

KEY FINDINGS

- We find that local authority areas susceptible to a high degree of market concentration tend to have greatly restricted supply of care home places and (to a lesser extent) a higher average public cost, than areas susceptible to low degree of market concentration.
- There is no significant evidence that conditions favouring high market concentration affect average care home quality within local authority areas.

POLICY ISSUES

- Most of the important local characteristics that influence susceptibility to market concentration (population structure, income, property values, etc.) are largely beyond local authorities’ control, so the new legal responsibility for promoting an efficient local market with adequate supply is a very difficult one for local authorities to fulfil.

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