Market Oversight Update

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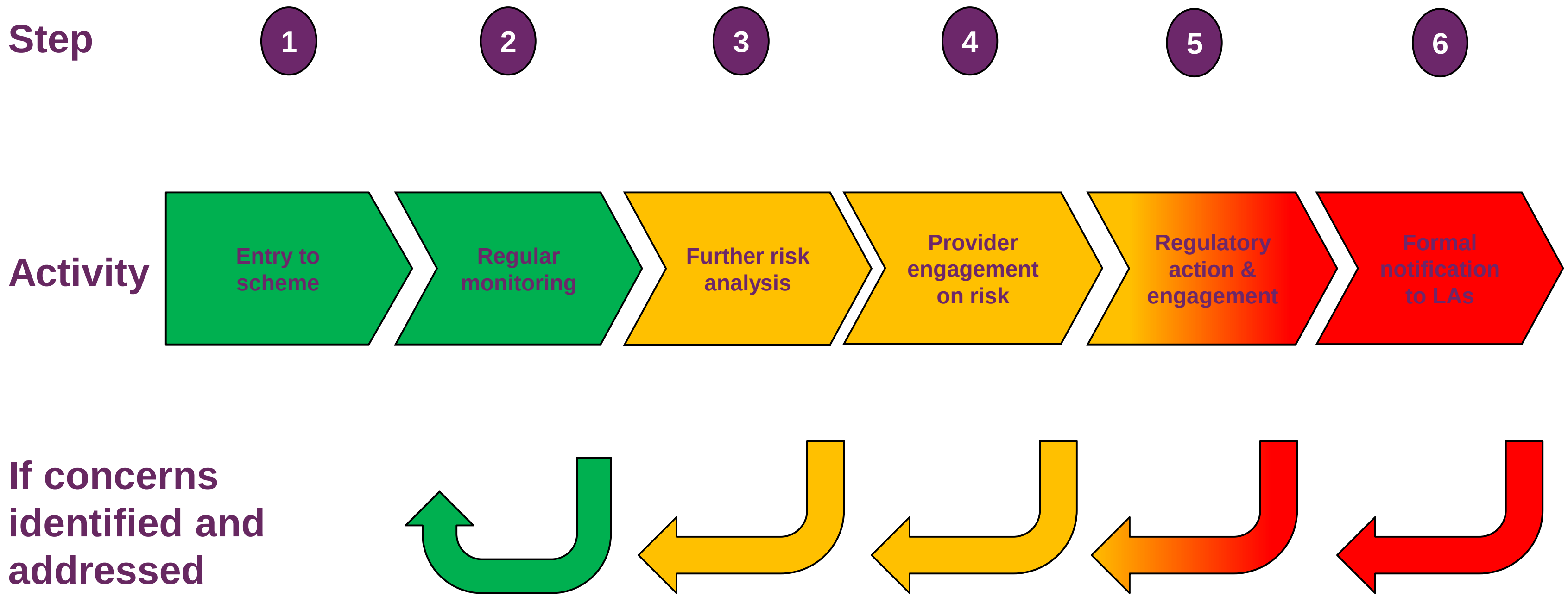
Market Oversight Responsibilities

- ***Minimise avoidable uncertainty*** for vulnerable people owing to a disruption to continuity of care as a result of business failure.
- Monitor finances of potentially ‘***difficult to replace***’ providers.
- Provide notification to local authorities (LA) to aid contingency planning in the event of *(i) likely service cessation as a result of (ii) likely business failure*.
- The scheme design assumes that the market can generally absorb business failure, hence this alone is insufficient to trigger a LA notification.
- ***Market Oversight has no powers to prevent provider failure***.
- The published guidance and scheme participants are published on CQC’s website.

Key Facts

- Currently **c.60** corporate providers included in the scheme.
- **Coverage** – c. 400 registered providers which deliver services from about 4000 locations (c.25% of all care home beds in England).
- **Risk Profile** – when the highest categories of risk are considered before CQC is required to make a LA notification, there has been a **<u>28 percentage point deterioration</u>** in risk across the portfolio since the scheme was launched in April 2015.
- **LA Notifications** - <u>2 now issued</u> since the scheme was launched – (i) Orchard Care Homes (No 4) Ltd [1 local authority] and (ii) Nestor Primecare Services Ltd t/a Allied Healthcare [96 local authorities].
- **Unseen influence** – improved financial discipline, enhanced financial stability by resolving uneconomic positions and cash injections to improve stability.

Operating Model



Key: Assessment of risk to financial sustainability (all provisional)

- no cause for concern/very low risk
- possible risk/medium risk
- likely risk/high risk
- risk clearly identified very high risk

Consolidated Data Trending - Themes

- A consistent data set for providers covering the two year period to Q2 2018 (typically 30 June 2018) demonstrates:
  - **Profit margins (EBITDARM %) remain under pressure.**
  - This is despite a change in the sales mix towards higher margin private pay clients and significant uneconomic positions being resolved.
  - **Continued headwinds can be expected** – occupancy remains under pressure whilst staff costs, in particular agency, can be expected to continue to increase.
  - Outlook – **little, if any, evidence to suggest that the existing market fragility will reduce in the short term**.